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Application Proof of



## Zhong Ao Home Group Limited

中奧到家集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

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## IMPORTANT



# Zhong Ao Home Group Limited

## 中奧到家集團有限公司

(Incorporated in the Cayman Islands with limited liability)

### [REDACTED]

Number of [REDACTED] under the [REDACTED] : [REDACTED] Shares (subject to the [REDACTED])  
Number of [REDACTED] : [REDACTED] Shares (subject to adjustment and the [REDACTED])  
Number of [REDACTED] : [REDACTED] Shares (subject to adjustment)  
Maximum [REDACTED] : HK\$[REDACTED] per [REDACTED], plus 1% brokerage, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)  
Nominal value : [HK\$0.01] per Share  
[REDACTED] : [REDACTED]

### Sole Sponsor



MACQUARIE

### [REDACTED]

[●]

[●]

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The [REDACTED] (on behalf of the Underwriters) may, with our Company's consent, reduce the number of [REDACTED] being offered under the [REDACTED] and/or the indicative [REDACTED] range stated in this document at any time prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, a notice of the reduction of the number of [REDACTED] and/or the indicative [REDACTED] range will be published in the [South China Morning Post (in English)] and the [Hong Kong Economic Times (in Chinese)] not later than the morning of the last day for lodging applications under the [REDACTED]. Such notices will also be available at the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and our Company's website at [www.gdzawy.com](http://www.gdzawy.com). If applications for [REDACTED] have been submitted prior to the day which is the last day for lodging applications under the [REDACTED], in the event that the number of [REDACTED] and/or the indicative [REDACTED] range is so reduced, such applications can subsequently be withdrawn. Details of the arrangement will then be announced by our Company as soon as practicable. Further details are set out in the sections headed "Structure of the [REDACTED]" and "How to Apply for the [REDACTED]" in this document.

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## **EXPECTED TIMETABLE<sup>(1)</sup>**

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[REDACTED]

## **EXPECTED TIMETABLE<sup>(1)</sup>**

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[REDACTED]

## **EXPECTED TIMETABLE<sup>(1)</sup>**

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## SUMMARY

*This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety, and should be read in conjunction with the full text of this document. Information contained in our website, located at [www.gdzaw.com](http://www.gdzaw.com), does not form part of this document. You should read the whole document including the appendices to this document before you decide to invest in our [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in our [REDACTED] are summarized in the section entitled “Risk Factors” in this document. You should read that section carefully before you decide to invest in our [REDACTED].*

### OVERVIEW

We are a leading independent property management company in China based on the total contracted GFA as of December 31, 2013, according to China Index Academy. In 2013, we were ranked third in terms of overall strength among independent property management companies, and 9th in 2014 in the “China Top 100 Property Management Companies” (“中國物業服務百強企業”) compiled by China Real Estate Top 10 Research and China Index Academy. In addition, our recently developed O2O platform is also a strategic focus of ours and we expect it to become a key driver of our future growth. As of December 31, 2014, we had a total contracted GFA of 31.4 million sq. m. across 149 properties. During the Track Record Period, we generated revenue through providing property management services and sales assistance services under our two business lines. The table below sets forth details of our business lines.

**Property management business line** Under this business line, we primarily provide property developers and property owners with a broad range of property management services to mostly residential properties. Services we provided in this business line include standard property management services, ancillary services and consulting services.

**Sales assistance business line** Under this business line, we provide property developers with cleaning, security and maintenance of their model homes and sales centers and provide general assistance to facilitate the sales process of the properties.

We experienced significant growth in terms of revenue and net profit during the Track Record Period. Our revenue increased from RMB197.4 million in 2012 to RMB290.3 million in 2013 and further to RMB361.2 million in 2014, representing a CAGR of 35.3% from 2012 to 2014. Our total net profit also increased from RMB12.8 million in 2012 to RMB33.1 million in 2013 and further to RMB55.9 million in 2014, representing a CAGR of 109.0% from 2012 to 2014. The table below sets forth the breakdown of our revenue during the Track Record Period.

|                                   | For the year ended December 31, |              |                    |              |                    |              |
|-----------------------------------|---------------------------------|--------------|--------------------|--------------|--------------------|--------------|
|                                   | 2012                            |              | 2013               |              | 2014               |              |
|                                   | (RMB in thousands)              | (%)          | (RMB in thousands) | (%)          | (RMB in thousands) | (%)          |
| Property management business line | 162,710                         | 82.4         | 238,556            | 82.2         | 292,860            | 81.1         |
| Sales assistance business line    | 34,739                          | 17.6         | 51,720             | 17.8         | 68,342             | 18.9         |
| <b>Total</b>                      | <b>197,449</b>                  | <b>100.0</b> | <b>290,276</b>     | <b>100.0</b> | <b>361,202</b>     | <b>100.0</b> |



## SUMMARY

Since the commencement of our business in 2005, we have grown our presence from a single city of Guangzhou to 27 cities in 11 provinces in the PRC where we were contracted to manage 149 properties as of December 31, 2014. We strategically select markets to enter into, focusing on those with more developed economies and comparatively high per capita GDP. Once we have established 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. The table below sets forth the revenue breakdown of different geographic areas where we have established presence.

|                           | <b>For the year ended December 31,</b> |            |                               |            |                               |            |
|---------------------------|--|------------|-------------------------------|------------|-------------------------------|------------|
|                           | <b>2012</b>                            |            | <b>2013</b>                   |            | <b>2014</b>                   |            |
|                           | <i>(RMB in<br/>thousands)</i>          | <i>(%)</i> | <i>(RMB in<br/>thousands)</i> | <i>(%)</i> | <i>(RMB in<br/>thousands)</i> | <i>(%)</i> |
| Eastern and Central China | 102,902                                | 52.1       | 148,372                       | 51.1       | 178,291                       | 49.4       |
| Southern China            | 80,842                                 | 41.0       | 124,226                       | 42.8       | 158,981                       | 44.0       |
| Northern China            | 13,705                                 | 6.9        | 17,678                        | 6.1        | 23,930                        | 6.6        |
| <b>Total</b>              | 197,449                                | 100.0      | 290,276                       | 100.0      | 361,202                       | 100.0      |

### **Property Management Business Line**

We provide property management services primarily to residential properties and occasionally engage in the provision of property management services to non-residential properties. In managing this business line, we provide property developers and property owners with a broad range of property management services, such as cleaning, gardening, security, repair and maintenance and butler services. Through our butler services, we provide personalized and premium property management services to our residents with our trained butlers onsite. While our primary and long-term business focus is on the residential property market, we also provide our services to non-residential properties (including both stand-alone non-residential properties and properties associated with residential properties), such as schools and commercial buildings. For more information, please see the section headed “Our Business — Property Management Business Line — Scope of Services” beginning on page 135 of this document.

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 property management companies. We plan to selectively identify and evaluate opportunities based on a disciplined set of criteria. As of the Latest Practical Date, we have not identified any acquisition target. For more information, please see the section headed “Our Business — Acquisitions” beginning on page 159 of this document.

### ***Business Model***

During the Track Record Period, the revenue of our property management business line was mostly generated from property management services we charged on a lump sum basis, which is the prevailing model in China. Under a lump sum agreement, we are entitled to retain the full amount of received property management fees. We recognize as revenue the full amount of property management fees we received from the property owners or property developers, and recognize the costs we incurred in connection with performing our services. From the property management fees, we pay out our expenses

## SUMMARY

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associated with, among others, staff, cleaning, garbage disposal, gardening and landscaping, security and general overheads covering the properties. Therefore, the relevant costs, including labor costs, are recognized as our cost of sales and services. In particular, during the Track Record Period, we relied on dispatch agencies and sub-contractors to provide us with staff for engaging in property management services. During the Track Record Period, we also generated a small amount of revenue on a commission basis from two projects that came under our management through acquisitions. For more information, please see the section headed “Our Business — Property Management Business Line” beginning on page 135 of this document.

### ***Our Butler Services***

As part of our strategy to differentiate ourselves from property management companies and establish the market standard for premium property management service in China, we began providing butler services to select properties since 2007. Our butler services are highly recognized in the market and helped us obtain Leading Specialty Property Management Enterprises (中國特色物業服務領先企業) in 2012 and 2014 that compiled by China Index Academy. As of December 31, 2014, we had 731 butlers covering substantially all of our managed properties.

### **Sales Assistance Business Line**

We provide property developers with sales assistance services by deploying on-site staff at the sales center to maintain the conditions of the center and provide timely assistance with various aspects of the sales process. In 2012, 2013 and 2014, we provided sales assistance services for 82, 80 and 85 projects, respectively. We generally continue to service the property developer clients after the expiration of the sales assistance contracts by entering into preliminary property management contracts with them at the same time as we secure sales assistance contracts, which serves as an important source of business for our property management business line.

### **Our O2O Platform**

With the residential community O2O market growing at a rapid pace, we launched a residential community O2O platform in March 2015 at our select properties. Capitalizing on our existing offline infrastructure, we believe that our O2O model benefits from several key advantages to further our development, such as our butler service model, our experienced team, our resident demographics and our strategic partners. As of the Latest Practicable Date, there were approximately 120,000 units in the properties under our management, representing a core part of our target customers, and another advantage over pure O2O players.

Through our O2O platform, we offer a broad range of services and products to our residents, as well as enhancement to our existing property management services. For example, residents would be able to purchase certain daily necessities from our platform and the products would be delivered to the residents’ homes by our butlers. In the future, our residents may also be able to access their management fee bills and pay the bills online through a third-party payment provider. Our O2O platform would be closely integrated with our butler service model to provide these offerings.

To position ourselves for accelerated growth in our O2O platform, we have secured strategic partnership agreements with several leading players in key online areas, including E-House and Fangdd, leading real estate-related service providers; and Niu Hai E-Commerce which is the operator of

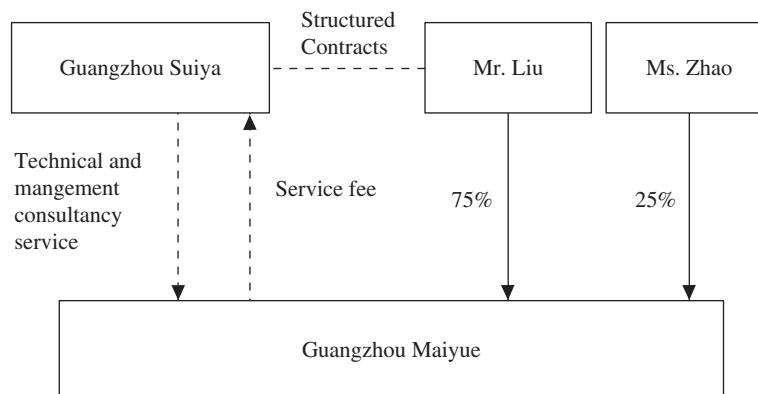
## SUMMARY

Yihaodian, a leading online supermarket. We would be able to leverage the business networks of E-House and Fangdd to obtain referrals to property developers, thereby increasing the number of properties covered by our O2O platform. Yihaodian would serve as a product supplier for our O2O platform, help us expand our product range and maintain our product reliability. Leveraging the strengths of these partners, we believe we are well-positioned to develop our O2O business.

During the Track Record Period, we did not derive any revenue from our O2O business because during the growth phase, we focused on the growth of our user base and user education rather than revenue generation. In the future, as we continue to expand our range of services and products and increase the coverage of our platform over the properties under our management, we plan to generate revenue by selling products and service vouchers. In addition, we plan to expand our platform to cover properties managed by third-party property management companies to further grow our O2O business.

### Structured Contracts

As part of our plan to develop our O2O platform, we established Guangzhou Suiya in the PRC as a wholly foreign owned enterprise in March 2015. In April 2015, Guangzhou Suiya, Guangzhou Maiyue and the shareholders of Guangzhou Maiyue, namely Mr. Liu and Ms. Zhao, and their respective spouses have entered into Structured Contracts, as illustrated by the simplified diagram below.



We believe that, taken as a whole, the Structured Contracts permit the results and financial operations of Guangzhou Maiyue to be consolidated in our Group as if it was our subsidiary, while allowing Guangzhou Suiya to effectively supervise, manage and operate any future business that would require the ICP license held by Guangzhou Suiya. During the Track Record Period, we did not derive any revenue in relation to the Structured Contracts. For more information, please see the sections headed “Structured Contracts” beginning on page 180 of this document, “Connected Transactions — Non-exempt Continuing Connected Transactions — Structured Contracts” beginning on page 202 of this document and “Risk Factors — Risks relating to Our Corporate Structure” beginning on page 44 of this document.

## SUMMARY

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### OUR COMPETITIVE STRENGTHS

We achieved significant growth in our revenue and our net profit from 2012 to 2014 primarily as a result of strong organic growth and effective cost control measures. We believe that the following strengths position us to achieve continued robust growth:

- we are a leading independent property management company with a record of robust growth;
- our expertise in selecting and managing our properties and our high level of standardization, centralization and automation contribute to our profitability;
- our service quality is enhanced by our distinctive butler service model which targets mid to high-end residential segment;
- our business model, our team and our strategic partners provide a strong foundation to develop our O2O business; and
- we have a seasoned and visionary management team with a proven track record, strong execution capability and in-depth knowledge of our industry, supported by valuable and dedicated strategic investors.

### OUR BUSINESS STRATEGIES

Our long-term objective is to become the leading property management company offering integrated and comprehensive offline and online services in China. We intend to achieve our objective by implementing the following strategies:

- accelerate our business growth through acquisitions of property management companies;
- continue organic growth by solidifying existing customer relationships and developing new relationships;
- continue to increase the usage of our O2O platform by our residents and local merchants through enhancing our users’ experience and our platform coverage; and
- develop and attract strong talent to support our growth.

### SUPPLIERS

Our major suppliers are dispatch agencies and sub-contractors providing relevant services for our property management and sales assistance business lines. In 2012, 2013 and 2014, our five largest suppliers accounted for approximately 73.5%, 76.1% and 79.5% of our total purchases, respectively, and our largest supplier accounted for 64.3%, 48.1% and 66.4% of our total purchases, respectively. “Total purchases” is defined as consisting of dispatch costs and sub-contracting costs. For more information, please see the section headed “Our Business — Our Suppliers” beginning on page 158 of this document.

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## SUMMARY

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### Dispatch Agency

Because our business is labor intensive, during the Track Record Period, we used a large number of dispatch workers in order to lower our costs and improve efficiency. As of December 31, 2014, we had 3,536 dispatch workers primarily providing basic property management services. We only maintained contractual relationship with one dispatch agency at any given time during the Track Record Period. According to the Interim Provisions on Labor Dispatch promulgated by the Ministry of Human Resources and Social Security of the PRC on January 24, 2014 and implemented on March 1, 2014, the number of dispatch workers used by an employer cannot exceed 10% of the total number of its employees and dispatch workers. We have terminated the dispatch arrangements with relevant agency and adopted a sub-contracting arrangement in 2015, and we have successfully met the requirement of the Interim Provisions during the two-year transition period. As advised by our PRC legal advisors, the risk for us to be subject to penalties in accordance with relevant PRC laws and regulations in relation to our use of dispatch workers for the Track Record Period is highly remote, and the Interim Provisions on Labor Dispatch do not specify any penalty for exceeding the 10% specified limit.

### Sub-contracting

To utilize our own workforce more efficiently, we delegate certain property management services, such as cleaning, gardening services, security services, in part 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. For more information, please see section headed "Business — Quality Control — Quality Control over Third-Party Sub-Contractors" beginning on page 164 of this document. We also coordinate different services among different third-party sub-contractors. As of the Latest Practicable Date, we rely heavily on sub-contractors, and we expect sub-contractors to make up a significant portion of our workforce. For details on our reliance on sub-contractors, please see the section headed "Risk Factors — Risks Relating to Our Business and Industry — We depended on dispatch agencies and rely on third-party sub-contractors to perform certain property management services" beginning on page 33 of this document.

## OUR CUSTOMERS

The table below sets forth the types of our major customers for each of our two business lines.

| <b>Business line</b>                     | <b>Major customers</b>   |
|--|--|
| <b>Property management business line</b> | Property developers, property owners and property owners' associations |
| <b>Sales assistance business line</b>    | Property developers  |

We have established long-term business relationships with most of our major customers. In 2012, 2013 and 2014, our five largest customers accounted for approximately 8.1%, 6.6% and 6.1% of our revenue, respectively, and our largest customer accounted for 2.9%, 2.2% and 1.9% of our revenue, respectively.

## SUMMARY

### MARKETING

We have marketing teams based in our headquarters and various places including Zhejiang, Jiangsu, Hainan and Guangdong, which are responsible for planning and implementing our overall marketing strategies, conducting market research, maintaining relationships with existing clients and exploring high-quality new clients and projects. We generally win new projects through a variety of channels and marketing efforts including: (i) new property development projects conducted by existing clients; (ii) business opportunities introduced by real estate agencies; (iii) information in relation to land development or bidding published on the websites of local authorities; and (iv) promotion of our services and our brand to new clients across various regions where we have no business. For more information, please see the section headed “Our Business — Marketing” beginning on page 155 of this document.

### ACQUISITIONS

We plan to expand through acquisitions of residential property management companies. We have been actively seeking potential targets, but as of the Latest Practicable Date, we had not identified any particular acquisition target. For more information, please see the section headed “Our Business — Acquisitions” beginning on page 159 of this document.

### SUMMARY FINANCIAL INFORMATION

#### Summary Combined Statement of Profit or Loss and Other Comprehensive Income

|  | <u>For the year ended December 31,</u> |                      |                      |
|--|--|----------------------|----------------------|
|  | <u>2012</u>                            | <u>2013</u>          | <u>2014</u>          |
|  | <i>(RMB in thousands)</i>              |                      |                      |
| Revenue  | 197,449                                | 290,276              | 361,202              |
| Cost of sales and services   | <u>(159,877)</u>                       | <u>(212,352)</u>     | <u>(240,491)</u>     |
| Gross profit   | 37,572                                 | 77,924               | 120,711              |
| Other income   | 4,494                                  | 1,481                | 3,155                |
| Other gains and losses   | (6,172)                                | (9,381)              | (16,328)             |
| Administrative expenses  | (14,344)                               | (19,852)             | (21,472)             |
| [REDACTED] expenses  | —                                      | —                    | [REDACTED]           |
| Selling and distribution expenses  | (2,438)                                | (3,413)              | (3,765)              |
| Share of results of associates   | —                                      | (424)                | (670)                |
| Share of results of joint ventures   | —                                      | —                    | (98)                 |
| Finance costs  | <u>—</u>                               | <u>—</u>             | <u>(5)</u>           |
| Profit before tax  | 19,112                                 | 46,335               | 77,548               |
| Income tax expense   | <u>(6,316)</u>                         | <u>(13,265)</u>      | <u>(21,650)</u>      |
| Profit and total comprehensive income for the year attributable to owners of the Company     | 12,796                                 | 33,070               | 56,031               |
| Profit and total comprehensive income for the year attributable to non-controlling interests | <u>—</u>                               | <u>—</u>             | <u>(133)</u>         |
| Profit and total comprehensive income for the year   | <u><u>12,796</u></u>                   | <u><u>33,070</u></u> | <u><u>55,898</u></u> |

## SUMMARY

### Summary Combined Statement of Financial Position

|                                       | <b>As of December 31,</b> |             |             |
|---------------------------------------|---------------------------|-------------|-------------|
|                                       | <b>2012</b>               | <b>2013</b> | <b>2014</b> |
|                                       | <i>(RMB in thousands)</i> |             |             |
| Non-current assets                    | 14,347                    | 29,830      | 73,391      |
| Current assets                        | 99,585                    | 167,788     | 206,653     |
| Current liabilities                   | 95,011                    | 144,627     | 173,766     |
| Total assets less current liabilities | 18,921                    | 52,991      | 105,278     |
| Non-current liabilities               | —                         | —           | 9,639       |
| Net assets                            | 18,921                    | 51,991      | 95,639      |

### Summary Combined Statement of Cash Flows

|   | <b>For the year ended December 31,</b> |               |               |
|---|--|---------------|---------------|
|   | <b>2012</b>                            | <b>2013</b>   | <b>2014</b>   |
|   | <i>(RMB in thousands)</i>              |               |               |
| Net cash from operating activities                          | 16,147                                 | 60,272        | 75,037        |
| Net cash used in investing activities                       | (8,181)                                | (22,673)      | (52,390)      |
| Net cash from/(used in) financing activities                | (16,524)                               | 962           | (1,775)       |
| <b>Net (decrease)/increase in cash and cash equivalents</b> | <b>(8,558)</b>                         | <b>38,561</b> | <b>20,872</b> |
| Cash and cash equivalents at the beginning of the year      | 14,743                                 | 6,185         | 44,746        |
| <b>Cash and cash equivalents at the end of the year</b>     | <b>6,185</b>                           | <b>44,746</b> | <b>66,618</b> |

### Key Financial Metrics

|   | <b>As of and for the year ended December 31,</b> |             |             |
|---|--|-------------|-------------|
|   | <b>2012</b>                                      | <b>2013</b> | <b>2014</b> |
| Return on equity <sup>(1)</sup>         | 67.6   | 63.6        | 58.7        |
| Return on total assets <sup>(2)</sup>   | 11.2   | 16.7        | 20.1        |
| Current ratio <sup>(3)</sup>            | 104.8  | 116.0       | 118.4       |
| Gearing ratio <sup>(4)</sup>            | 6.9  | 2.4         | 12.5        |
| Net debt to equity ratio <sup>(5)</sup> | Net Cash   | Net Cash    | Net Cash    |

*Notes:*

- (1) Return on equity is calculated by dividing profit and total comprehensive income attributable to owners of the Company by total equity attributable to owners of the Company.

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## SUMMARY

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- (2) Return on total assets is calculated by dividing profit and total comprehensive income attributable to owners of the Company by total assets.
- (3) Current ratio is calculated by dividing current assets by current liabilities.
- (4) Debts are defined to include amounts due to related parties and borrowing; gearing ratio is calculated by dividing total debt by total equity.
- (5) Net debt is defined to include all borrowings net of cash and cash equivalents; net debt to equity ratio is calculated by dividing net debt by total assets.

### RECENT DEVELOPMENTS

Since December 31, 2014, our revenue and net profit continued to grow, and our business has grown in line with historical trends and our expectations. There had not been, as far as we are aware, any change in the general economic and market conditions in the property management industry and the residential O2O industry that would have a material and adverse impact on our business operations and financial condition.

As part of our business strategy, we have increased investment in the development of our O2O business. Since December 31, 2014, we have launched one mobile application at select properties in Guangzhou and another mobile application at select properties in Hangzhou.

In 2015, we have made a voluntary change in the accounting policy we adopted in preparing the 2014 tax filings for our PRC subsidiaries and branches from cash accounting basis based on invoices to accrual accounting basis. We applied this change retrospectively to the years of 2012 and 2013 and made additional tax payments of approximately RMB4.9 million. The change was made for consistency with the accounting policy used in preparing our Group’s consolidated financial statements and for strict compliance with relevant PRC laws.

### DIRECTORS’ CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

Our Directors confirm that they have performed sufficient due diligence to ensure that, up to the date of this document, there had been no material adverse change in our financial position or prospects since December 31, 2014 (being the date of our Company’s latest consolidated audited financial results were prepared) and there has been no event since December 31, 2014, which would materially affect the information shown in the Accountants’ Report set out in Appendix I to this document.

### [REDACTED] EXPENSES

The total amount of [REDACTED] expenses, commissions and the maximum incentive fee (if any), together with SFC transaction levy and Stock Exchange trading fee that will be borne by us in connection with the [REDACTED] is estimated to be approximately [REDACTED] (based on the mid-point of our indicative [REDACTED] range for the [REDACTED]), of which approximately [REDACTED] is directly attributable to the [REDACTED] and is expected to be capitalized after the [REDACTED]. The remaining [REDACTED] expenses in the amount of approximately [REDACTED] are expected to be charged to our consolidated statements of profit or loss and other comprehensive income. In 2014, approximately [REDACTED] in [REDACTED] expenses were paid, and [REDACTED] in [REDACTED] expenses were reflected in our combined income statement. Our Directors expect such expenses to materially impact our results of operations for 2015.



## SUMMARY

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### USE OF PROCEEDS

Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the estimated [REDACTED] range, we estimate that we will receive net proceeds from the [REDACTED] of approximately HK\$[REDACTED] million, after deducting the estimated underwriting fees, commissions and expenses payable by us in relation to the [REDACTED].

We intend to use the net proceeds we will receive from the [REDACTED] for the following purposes:

- approximately [REDACTED] of net proceeds (approximately HK\$[REDACTED]) will be used for acquisition of property management companies. For more information, please see the section headed “Our Business — Acquisitions” beginning on page 159 of this document. As of the Latest Practicable Date, we had not identified any particular acquisition target;
- approximately [REDACTED] of net proceeds (approximately HK\$[REDACTED]) will be used for development of the O2O platform. For more information, please see the section headed “Our Business — Property Management Business Line — Our O2O Platform” beginning on page 149 of this document;
- approximately [REDACTED] of net proceeds (approximately HK\$[REDACTED]) will be used for implementation of recruiting and training programs; and
- approximately [REDACTED] of net proceeds (approximately HK\$[REDACTED]) will be used for working capital and general corporate purposes.

To the extent our net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

To the extent that the net proceeds of the [REDACTED] are not immediately used for the purposes described above they will be placed in short term demand deposits and/or money market instruments.

For more information, please see the section headed “Future Plans and Use of Proceeds” beginning on page 278 of this document.

### DIVIDEND POLICY

Prior to the [REDACTED], our Directors have the authority in determining whether to declare dividend for any year and, if it decides to declare a dividend, the amount of dividend to be declared. No dividend has been paid or proposed by the Company during the Track Record Period. Dividends of RMB10.0 million, nil, RMB12.5 million have been distributed by Guangdong Zhong Ao to its then shareholders during the years ended December 31, 2012, 2013 and 2014, respectively. Subsequently, dividends of RMB20.0 million were declared in February 2015 and have been fully paid in the same month. Dividends of RMB67.6 million were declared in April 2015 and have been paid fully in June 2015, partially offsetting RMB34.1 million of the amounts due from our Directors. The payment of such dividends were funded from cash generated from operations.

## SUMMARY

After the [REDACTED], the payment of dividends will be made to our existing and new shareholders at the discretion of our Directors and will depend upon our future operations and earnings, acquisitions, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. There is no assurance that we will be able to distribute dividends of any amount, or at all, in any year.

Our Directors will review the dividend policy on an annual basis. Going forward, we will re-evaluate our dividend policy in light of our financial position and the prevailing economic climate. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into in the future. The amounts of dividends that we have declared and made in the past should not be taken as indications of the dividends, if any, that we may pay in the future. For more information, please see the section headed “Financial Information — Dividends and Distributable Reserves” beginning on page 276 of this document.

### [REDACTED] STATISTICS

All statistics in this table are based on the assumption that the [REDACTED] is not exercised.

|                                      | <b>Based on<br/>an [REDACTED] of<br/>HK\$[REDACTED]<br/>per [REDACTED]</b> | <b>Based on<br/>an [REDACTED] of<br/>HK\$[REDACTED]<br/>per [REDACTED]</b> |
|--------------------------------------|--|--|
| Number of [REDACTED]                 | [REDACTED]   | [REDACTED]   |
| Market capitalization <sup>(1)</sup> | HK\$[REDACTED]   | HK\$[REDACTED]   |
| [REDACTED]                           | [REDACTED]   | [REDACTED]   |

*Notes:*

- (1) The calculation of market capitalization is based on [REDACTED] expected to be issued and outstanding following the [REDACTED].
- (2) [REDACTED].

### OUR SHAREHOLDERS

#### The Controlling Shareholders

Immediately after the completion of the [REDACTED] (assuming the [REDACTED] and any option which has been granted under the [REDACTED] and may be granted under the Share Option Scheme are not exercised), Mr. Liu, Dawngate and Qichang will hold approximately [REDACTED] of the enlarged issued share capital of our Company and thus, for the purpose of the Listing Rules, will continue to be our Controlling Shareholders.

## SUMMARY

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### Other Investors

As part of our Reorganization, we have introduced a number of [REDACTED] investors, including E-House and VKC. These investors collectively will own approximately [REDACTED] of the enlarged issued share capital of our Company immediately after the completion of the [REDACTED] (assuming no exercise of the [REDACTED] or any option which has been granted under the [REDACTED] Scheme or may be granted under the Share Option Scheme).

### EMPLOYEE INCENTIVE PLANS

#### [REDACTED]

We have adopted the [REDACTED], the purpose of which is to motivate our directors and employees to optimize their future contributions to our Group and/or to reward them for their past contributions and to attract and retain or otherwise maintain ongoing relationships with such participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group. The principal terms of this scheme are summarized in the section headed “Statutory and General Information — [REDACTED]” in Appendix IV to this document. As of the date of this document, [REDACTED] to subscribe an aggregate of [REDACTED] have been granted to a total of 380 eligible participants.

### Share Option Scheme

We have also conditionally adopted the Share Option Scheme, the purpose of which is to motivate the relevant participants to optimize their future contributions to our Group and to attract, retain and maintain ongoing relationships with such participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group. The principal terms of this scheme are summarized in the section headed “Statutory and General Information — Share Option Scheme” in Appendix IV to this document.

### RISK FACTORS

Investing in our [REDACTED] involves substantial risks and our ability to successfully operate our business is subject to numerous risks, including those that are generally associated with operating in the PRC. For example, we may be subject to losses or our margins may be reduced if we fail to increase our revenue or control our costs in connection with the performance of our property management services on a lump sum basis. We may not be able to successfully collect fees from property owners and property developers and, as a result, may incur impairment losses on receivables. We depended on dispatch agencies and rely on third-party sub-contractors to perform certain property management services. 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. Our future acquisitions may not be successful and we may face difficulties in integrating acquired operations with our existing business. Our O2O business may not grow as planned and our investment in the O2O platform involves certain risks. You should carefully consider all of the information set forth in this document and, in particular, you should evaluate the specific factors set forth under the section headed “Risk Factors” in this document in deciding whether to invest in our [REDACTED].

## DEFINITIONS

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

|   |   |
|---|---|
| “Aidaojia”                              | Aidaojia (愛到家), a mobile application developed by Hangzhou Yidao  |
| “[REDACTED]”                            | [REDACTED]  |
| “Articles of Association” or “Articles” | articles of association of the Company adopted on [●] 2015, as amended from time to time, a summary of which is set out in “Appendix III — Summary of the Constitution of our Company and Cayman Companies Law” to this document  |
| “associate(s)”                          | has the meaning ascribed to it under the Listing Rules  |
| “Board”                                 | the board of directors of our Company   |
| “Business Day”                          | a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong  |
| “BVI”                                   | the British Virgin Islands  |
| “CAGR”                                  | compound annual growth rate   |
| “Capitalization Issue”                  | the issue of [REDACTED] to be made upon capitalization of certain sum standing to the credit of the share premium account of our Company referred to in the paragraph headed “1. Further information — C. Written resolutions of our Shareholders passed on [●] 2015” in Appendix IV to this document       |
| “Catalogue”                             | the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄(2015)》), which was promulgated jointly by the MOFCOM and 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) on March 10, 2015 and became effective from April 10, 2015 and is amended from time to time |
| “CCASS”                                 | the Central Clearing and Settlement System established and operated by HKSCC  |
| “CCASS Clearing Participant”            | a person admitted to participate in CCASS as a direct clearing participant or general clearing participant  |

## DEFINITIONS

|   |  |
|---|--|
| “CCASS Custodian Participant”                                   | a person admitted to participate in CCASS as a custodian participant   |
| “CCASS Investor Participant”                                    | a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation  |
| “CCASS Participant”   | a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant  |
| “Central Oscar”   | Central Oscar Holdings Limited, a wholly-owned subsidiary of VKC   |
| “China”, “PRC” or “State”                                       | People’s Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires otherwise, references in this document to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan                                     |
| “Companies Law” or “Cayman 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  |
| “Companies (Winding Up and Miscellaneous Provisions) Ordinance” | the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time   |
| “Company” or “our Company”                                      | Zhong Ao Home Group Limited (中奧到家集團有限公司) (formerly known as Zhong Ao Services Group Limited (中奧服務集團有限公司)), a company incorporated under the laws of the Cayman Islands with limited liability on January 5, 2015 and except where the context otherwise requires includes its predecessors |
| “connected person”  | has the meaning ascribed to it under the Listing Rules   |
| “connected transaction”   | has the meaning ascribed to it under the Listing Rules   |
| “Controlling Shareholder(s)”                                    | has the meaning ascribed thereto in the Listing Rules and unless the context requires otherwise, refers to Mr. Liu, Dawngate and Qichang, each of whom a Controlling Shareholder   |
| “CSRC”  | China Securities Regulatory Commission (中國證券監督管理委員會)   |

## DEFINITIONS

|                                    |   |
|------------------------------------|---|
| “China Index Academy”              | China Index Academy (中國指數研究院), a Chinese property research institution  |
| “Dawngate”                         | Dawngate Limited (旭基有限公司), a business company incorporated under the laws of BVI with limited liability on November 4, 2014 and our Controlling Shareholder, whose entire issued share capital is held as to 85% by Hilton Assets (PTC) Limited in its capacity as trustee of the Liu Family Trust and as to 15% by Mr. Liu |
| “Deed of Non-competition”          | the deed of non-competition undertakings dated [●] 2015 entered into by each of our Controlling Shareholders in favor of our Company, as described more particularly in the section “Relationship with our Controlling Shareholders” in this document   |
| “Decision Holdings”                | Decision Holdings Limited, a wholly-owned subsidiary of Hengji  |
| “Director(s)” or “our Director(s)” | the 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), as enacted by the NPC on March 16, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time   |
| “E-House”                          | E-House (China) Holdings Limited  |
| “Fangdd”                           | Shenzhen Fangdd Network Technology Co., Ltd. (深圳市房多多網絡科技有限公司)   |
| “FITE Regulations”                 | Provisions on Administration of Foreign Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) promulgated by the PRC State Council   |
| “Foshan Julong”                    | Foshan Nanhai Julong Property Management Company Limited (佛山市南海鉅隆物業管理有限公司), a limited liability company established in the PRC on September 19, 2005 and a wholly-owned subsidiary of Zhong Ao Property prior to the Reorganization which ceased to be a member of our Group on August 1, 2012                              |
| “GDCA”                             | Guangdong Communication Administration (廣東省通訊管理局)   |
| “[REDACTED]”                       | [REDACTED]  |
| “[REDACTED]”                       | [REDACTED]  |

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## DEFINITIONS

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|                            |  |
|----------------------------|--|
| “Group” or “our Group”     | our Company, all of its subsidiaries and Guangzhou Maiyue or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)   |
| “Guangzhou Baijin Guanjia” | Guangzhou Baijin Guanjia Hotel Property Management Company Limited (廣州白金管家酒店物業管理有限公司) (formally known as Guangzhou Baijin Guanjia Consultancy Services Company Limited (廣州白金管家諮詢服務有限公司)), a limited liability company established in the PRC on March 2, 2009 and an indirect wholly-owned subsidiary of our Company   |
| “Guangzhou Daojia”         | Guangzhou Daojia Information Technology Company Limited (廣州到家信息科技有限公司), a limited liability company established in the PRC on March 14, 2014 and indirectly owned by our Company as to 75% and by an Independent Third Party as to 25%   |
| “Guangzhou Maiyue”         | Guangzhou Maiyue Information Technology Company Limited (廣州邁越信息科技有限公司), a limited liability company established in the PRC on September 26, 2014 and owned as to 75% by Mr. Liu, our executive Director, and as to 25% by Ms. Zhao, the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Structured Contracts |
| “Guangzhou Suiya”          | Guangzhou Suiya Information Technology Company Limited (廣州穗雅信息科技有限公司), a limited liability company established in the PRC on March 31, 2015 and an indirect wholly-owned subsidiary of our Company   |
| “Guangzhou Xuji”           | Guangzhou Xuji Property Management Services Company Limited (廣州旭基物業服務有限公司), a limited liability company established in the PRC on March 23, 2015 and an indirect wholly-owned subsidiary of our Company  |
| “Hangzhou Huachang”        | Hangzhou Huachang Property Management Company Limited (杭州華昌物業管理有限公司), a limited liability company established in the PRC on February 20, 2012 and an indirect wholly-owned subsidiary of our Company   |

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## DEFINITIONS

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|------------------|---|
| “Hangzhou Lvdu”  | Hangzhou Lvdu Hubin Garden Property Services Company Limited (杭州綠都湖濱花園物業服務有限公司) (formally known as Hangzhou Lvdu Hubin Garden Property Management Company Limited (杭州綠都湖濱花園物業管理有限公司), a limited liability company established in the PRC on March 21, 2006 and an indirect wholly-owned subsidiary of our Company |
| “Hangzhou Yidao” | Hangzhou Yidao Information Technology Company Limited (杭州壹到信息科技有限公司), a limited liability company established in the PRC on February 3, 2015 and an indirect wholly-owned subsidiary of our Company   |
| “Hengji”         | Shanghai Hengji Assets Management Center (L.P.) (上海恒熾資產管理中心(有限合夥))  |
| “[REDACTED]”     | [REDACTED]  |
| “[REDACTED]”     | [REDACTED]  |
| “HK\$”           | Hong Kong dollars, the lawful currency of Hong Kong   |
| “HKFRSs”         | Hong Kong Financial Reporting Standards issued by HKICPA  |
| “HKICPA”         | Hong Kong Institute of Certified Public Accountants   |
| “HKQAA”          | Hong Kong Quality Assurance Agency  |
| “HKSCC”          | Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited  |
| “HKSCC Nominees” | HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC  |
| “Hong Kong”      | the Hong Kong Special Administrative Region of the PRC  |
| “[REDACTED]”     | [REDACTED]  |
| “[REDACTED]”     | [REDACTED]  |



## DEFINITIONS

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|                                |  |
|--------------------------------|--|
| “[REDACTED]”                   | [REDACTED]   |
| “[REDACTED]”                   | [REDACTED]   |
| “[REDACTED]”                   | [REDACTED]   |
| “ICP Licence”                  | the licence 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 Third Party(ies)” | party or parties that is or are not connected with us, any Directors, chief executives, Substantial Shareholders of our Company, their respective subsidiaries or any of their respective associates |
| “[REDACTED]”                   | [REDACTED]   |
| “[REDACTED]”                   | [REDACTED]   |
| “[REDACTED]”                   | [REDACTED]   |
| “[REDACTED]”                   | [REDACTED]   |
| “[REDACTED]”                   | [REDACTED]   |
| “[REDACTED]”                   | [REDACTED]   |
| “[REDACTED]”                   | [REDACTED]   |

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## DEFINITIONS

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|---------------------------|---|
| “Latest Practicable Date” | [June 15, 2015], being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication  |
| “Linli Life”              | Linli Life (鄰里生活), a mobile application developed by Guangzhou Maiyue   |
| “[REDACTED]”              | [REDACTED]  |
| “Listing Committee”       | the listing sub-committee of the board of directors of the Stock Exchange   |
| “[REDACTED]”              | [REDACTED]  |
| “Listing Rules”           | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time  |
| “Liu Family Trust”        | a discretionary trust founded by Mr. Liu, with Mr. Liu and his family members as beneficiaries  |
| “M&A Rules”               | Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (關於外國投資者併購境內企業的規定), which were jointly promulgated by MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the SAIC, the CSRC, and the SAFE on August 8, 2006, and came into effect on September 8, 2006 and subsequently amended on June 22, 2009, as amended, supplemented or otherwise modified from time to time |
| “Macau”                   | the Macau Special Administrative Region of the PRC  |
| “Macquarie”               | Macquarie Capital Securities Limited, a licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated under the SFO   |
| “Main Board”              | the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market  |
| “mid to high-end segment” | the segment of the property management market that pays property management fees above the regional market average, according to China Index Academy  |

## DEFINITIONS

|                                       |   |
|---------------------------------------|---|
| “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)   |
| “MIIT Notice”                         | Notice on Strengthening the Administration of Foreign Investment in Operating 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》) issued by MIIT in July 2006   |
| “mobile application” or “mobile app”  | a software application designed to run on smartphones, tablet and other mobile devices and is available through application distribution platforms, which are typically operated by the owner of the mobile operating system          |
| “MOFCOM” or “Ministry of Commerce”    | The Ministry of Commerce of the PRC (中華人民共和國商務部)  |
| “MOHURD”                              | the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) including its predecessor Ministry of Development of the PRC (中華人民共和國建設部)  |
| “Mr. Liang”                           | Mr. Liang Bing (梁兵), our executive Director   |
| “Mr. Liu”                             | Mr. Liu Jian (劉建), our Controlling Shareholder and our executive Director   |
| “Mr. Long”                            | Mr. Long Weimin (龍為民), our executive Director   |
| “Ms. Chen”                            | Ms. Chen Zhuo (陳卓), our executive Director  |
| “Ms. Zhao”                            | Ms. Zhao Sina (趙斯娜), who holds 25% equity interest in Guangzhou Maiyue  |
| “Ningbo Disai”                        | Ningbo Disai Hotel Property Services Company Limited (寧波市迪賽酒店物業服務有限公司), a limited liability company established in the PRC on July 23, 2009 and indirectly owned by our Company as to 60% and by an Independent Third Party as to 40% |
| “Niu Hai E-Commerce”                  | Niu Hai E-Commerce (Shanghai) Co., Ltd. (紐海電子商務(上海)有限公司)  |
| “NPC” or “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)   |

## DEFINITIONS

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|   |  |
|---|--|
| “[REDACTED]”  | [REDACTED]   |
| “[REDACTED]”  | [REDACTED]   |
| “Onsure”  | Onsure Limited (安順有限公司), a business company incorporated under the laws of BVI with limited liability on November 12, 2014 and wholly-owned by Mr. Long  |
| “[REDACTED]”  | [REDACTED]   |
| “PBOC”  | the People’s Bank of China (中國人民銀行), the central bank of the PRC   |
| “PRC Legal Advisors” or<br>“our PRC legal advisors” | Jingtian & Gongcheng, a qualified PRC law firm acting as the PRC legal advisors to our Company for the application for the [REDACTED]  |
| “[REDACTED]”  | Central Oscar and Decision Holdings, and their respective controller, namely VKC and E-House   |
| “[REDACTED]”  | [REDACTED]   |
| “[REDACTED]”  | [REDACTED]   |
| “[REDACTED]”  | [REDACTED]   |
| “Qichang”   | Qichang International Limited (啟昌國際有限公司), a business company incorporated under the laws of BVI with limited liability on October 21, 2014 and our Controlling Shareholder, which was owned as to 40% by Dawngate, 20% by Suiya, 20% by Signgain and 20% by Onsure, respectively |

## DEFINITIONS

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|-----------------------|---|
| “Regulation S”        | Regulation S under the U.S. Securities Act  |
| “Renminbi” or “RMB”   | the lawful currency of the PRC  |
| “Reorganization”      | the corporate reorganization of our Group in preparation for the [REDACTED], particulars of which are set out in the section headed “History, Reorganization and Corporate Structure” in this document        |
| “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 (國家稅務總局)   |
| “SCNPC”               | the Standing Committee of National People’s Congress of the PRC (中華人民共和國全國人民代表大會常務委員會)  |
| “SFC”                 | the Securities and Futures Commission of Hong Kong  |
| “SFO”                 | the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time  |
| “[REDACTED]”          | [REDACTED]  |
| “Share Option Scheme” | the share option scheme conditionally adopted by our Company on [●], a summary of the principal terms of which is set out under the paragraph headed “9. Share Option Scheme” in Appendix IV to this document |
| “Shareholder(s)”      | holder(s) of our Share(s)   |
| “Signgain”            | Signgain Limited (得兆有限公司), a business company incorporated under the laws of BVI with limited liability on November 5, 2014 and wholly-owned by Mr. Liang   |
| “Sole Sponsor”        | Macquarie   |
| “sq. m.”              | square meters   |
| “[REDACTED]”          | [REDACTED]  |
| “Stock Exchange”      | The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited  |

## DEFINITIONS

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| “Strategic Cooperation Agreement” | the Strategic Cooperation Agreement dated February 3, 2015, entered into between Zhong Ao Property and Hengji  |
| “Structured Contracts”            | a series of contracts entered into among Guangzhou Maiyue, its shareholders and their respective spouse, and Guangzhou Suiya, details of which are described in the section headed “Structured Contracts” in this document |
| “subsidiary(ies)”                 | has the meaning ascribed to it in section 15 of the Companies Ordinance  |
| “Substantial Shareholder”         | has the meaning ascribed to it under the Listing Rules   |
| “Suiya”                           | Suiya Investments Limited (穗雅投資有限公司), a business company incorporated under the laws of BVI with limited liability on July 3, 2014 and wholly-owned by Ms. Chen  |
| “Takeovers Code”                  | the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time   |
| “Track Record Period”             | the period comprising the three financial years ended December 31, 2012, 2013 and 2014   |
| “U.S.” or “United States”         | the United States of America, its territories, its possessions and all areas subject to its jurisdiction   |
| “U.S. persons”                    | U.S. persons as defined in Regulation S  |
| “U.S. Securities Act”             | the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder  |
| “[REDACTED]”                      | [REDACTED]   |
| “[REDACTED]”                      | [REDACTED]   |
| “VKC”                             | Vision Knight Capital (China) GP II, L.P., a Cayman Islands exempted limited partnership   |
| “we”, “us” or “our”               | the Company or the Group, as the context requires  |
| “Yidezhao”                        | Shanghai Yidezhao Investment Management Center (L.P.) (上海易德昭投資管理中心(有限合夥)), a limited partnership registered under PRC laws   |
| “Yihaodian”                       | Yihaodian (一號店), an e-commerce platform and a leading online supermarket in the PRC  |

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## DEFINITIONS

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| “Yubo”                  | Shanghai Yubo Investment Management Company Limited (上海譽鉞投資管理有限公司), a limited company established in the PRC, and an indirect subsidiary of E-House   |
| “Zhong Ao Construction” | Guangzhou Zhong Ao Construction Investment Company Limited (廣州中奧建設投資有限公司), a limited liability company established in the PRC on June 7, 2013 and a wholly-owned subsidiary of Zhong Ao Property prior to the Reorganization which ceased to be a member of our Group on December 3, 2014 |
| “Zhong Ao HK”           | Zhong Ao Property Services (Hong Kong) Limited (中奧物業服務(香港)有限公司), a limited liability company incorporated under the laws of Hong Kong on January 15, 2015 and an indirect wholly-owned subsidiary of our Company  |
| “Zhong Ao Holdings”     | Zhong Ao Holdings Limited (中奧控股有限公司), a business company incorporated under the laws of the BVI with limited liability on November 24, 2014 and a direct wholly-owned subsidiary of our Company   |
| “Zhong Ao Hotel”        | Guangzhou Zhong Ao Hotel Investment Company Limited (廣州中奧酒店投資有限公司), a limited liability company established in the PRC on December 25, 2013 and a subsidiary of Zhong Ao Property prior to the Reorganization which ceased to be a member of our Group on January 7, 2015                 |
| “Zhong Ao Property”     | Guangdong Zhong Ao Property Management Company Limited (廣東中奧物業管理有限公司), a limited liability company established in the PRC on September 26, 2005 and an indirect wholly-owned subsidiary of our Company  |

*In this document, where otherwise specified:*

- *All dates and times refer to Hong Kong dates and time.*
- *Amounts denominated in HK\$ and US\$ have been translated, for the purpose of illustration only, into RMB, and vice versa, in this document at the rates of RMB0.789 to HK\$1 and US\$1 to RMB[6.117], respectively, which were the PBOC rates prevailing on [June 15, 2015], being the Latest Practicable Date. No representation is made that any amounts in RMB, HK\$ or US\$ can be or could have been at the relevant date converted at the above rates or any other rates or at all.*

## DEFINITIONS

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- *The English translation and/or transliteration of the names of PRC nationals, entities, enterprises, government authorities, departments, facilities, certificates, titles, laws and regulations included in this document is included for identification purposes only. In the event of any inconsistency between the English translation and/or transliteration and the Chinese versions, the Chinese versions shall prevail.*
- *Certain amounts and percentage figures included in this document have been subject to rounding adjustments.*
- *Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.*
- *All references to any shareholdings in our Company following the completion of the [REDACTED] assume that the [REDACTED] is not exercised.*



## GLOSSARY OF TECHNICAL TERMS

*This glossary of technical terms contains terms used in this document as they relate to our business. As such, these terms and their meanings may not always correspond to the standard industry meaning or usage of these terms.*

|  |  |
|--|--|
| “Butler services”  | personalized services for the residents offered by our trained employees, dispatch workers and sub-contractors   |
| “Chairman Mailbox”                                       | the email box established by us to improve service quality through which the customers and employees of our Company can write directly to the chairman of our Company  |
| “common area”  | common areas in residential properties, including visitor parking lots, swimming pools, advertisement bulletin boards, and club houses   |
| “contracted GFA”   | GFA managed or to be managed by us under property management contracts in effect as of the relevant date   |
| “ERP”  | enterprise resource planning, a type of business management software comprised of a suite of integrated applications that a company can use to collect, store, manage and interpret data from its business activities                |
| “GFA”  | gross floor area   |
| “ICP”  | Internet Content Provider  |
| “KPI”  | key performance indicator, a type of performance measurement evaluating the success of a particular activity in which an entity or person engages  |
| “last-mile delivery”                                     | a term used in the distribution networks of e-commerce to describe the movement of goods from a transportation hub to the consumer’s home or place of business   |
| “our O2O business”                                       | an online-to-offline operation developed by us to enhance property management services offered to residents and to establish an e-commerce portal for offering products and services to residents                                    |
| “residential communities” or<br>“residential properties” | 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 |
| “revenue-bearing GFA”                                    | contracted GFA in relation to which the collection of property management fees has started as of the relevant date   |

## GLOSSARY OF TECHNICAL TERMS

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|---|---|
| “top 100 property management companies” | top 100 property management companies based on factors including operational scale, financial performance, service quality, growth potential and social responsibility, according to an annual study conducted by China Index Academy and China Real Estate Top 10 Research |
| “undelivered GFA”                       | contracted GFA in relation to which the collection of property management fees has not started as of the relevant date  |
| “WeChat platform”                       | a public account we registered with WeChat which can be subscribed by the residents living in the properties we manage and is a means by which we can disseminate information to the subscribers  |
| “400 service hotline”                   | a customer service hotline provided by us to facilitate our communication with residents living in the properties we manage   |

## FORWARD-LOOKING STATEMENTS

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This document contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- the development of our O2O platform and business;
- our ability to continue to maintain our leadership position in the property management industry;
- our ability to control costs;
- our capability to identify and integrate suitable acquisition targets;
- general economic conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to anticipate and adjust to regulatory developments in relation to offshore jurisdictions;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- exchange rate fluctuations in the currencies we are exposed to;
- capital market developments;
- the actions and developments of our competitors;

## FORWARD-LOOKING STATEMENTS

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- certain statements in the section headed “Financial Information” in this document with respect to trends in prices, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this document that are not historical facts.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, 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 document 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 in this document are qualified by reference to the cautionary statements in this section.

In this document, statements of or references to our intentions or those of our Directors are made as of the date of this document. Any such information may change in light of future developments.

## RISK FACTORS

*You should carefully consider all of the information in this document including the risks and uncertainties described below before making an investment in our [REDACTED]. 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 [REDACTED] could decline due to any of these risks, and you may lose all or part of your investment.*

There are certain risks involved in our operations and many of these risks are beyond our control. These risks can be characterized as: (i) risks relating to our business and industry; (ii) risks relating to our corporate structure; (iii) risks relating to conducting business in the PRC; and (iv) risks relating to the [REDACTED]. Additional risks and uncertainties that are not presently known to us or that we currently deem immaterial may develop and become material and could also harm our businesses, financial condition and results of operations.

### RISKS RELATING TO OUR BUSINESS AND INDUSTRY

#### **We may be subject to losses or our margins may be reduced if we fail to increase our revenue or control our costs in connection with the performance of our property management services on a lump sum basis**

During the Track Record Period, the revenue of our property management business line was primarily generated from property management services we charged on a lump sum basis. On a lump sum basis, we were paid fixed management fees for our services regardless of the actual amount of property management costs we had incurred. We recognize as revenue the full amount of property management fees we charged to the property owners or property developers, and recognize the costs we incurred in connection with performing our services as our cost of sales. For more information, please see the section headed “Our Business — Property Management Business Line — Revenue Model of Property Management Business Line — Property management fees charged on a lump sum basis” in this document.

During the Track Record Period, we experienced a rise in various costs, including, among others, raw material costs, utility costs and particularly labor costs and sub-contracting costs. In 2012, 2013 and 2014, the aggregated amount of staff costs, dispatch costs and sub-contracting costs represented 89.8%, 88.7% and 87.9%, respectively, of our total cost of sales and services for the relevant years. We face pressure of increase in our staff costs, dispatch costs and sub-contracting costs from various aspects, including but not limited to:

- *increase in average wage.* The average wage in the urban areas, where we predominantly 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 average wage, please see the section headed “Industry Overview — Property Management Industry in the PRC — Trends in the China Property Management Industry — Increasing focus on service quality and cost control”; and
- *increase in headcount.* As we expand our operations, the headcount of our sales and marketing as well as administrative staff will continue to grow.

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## RISK FACTORS

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In the event that the amount of property management fees we collected is insufficient to cover all the management costs incurred under lump sum contracts, we are not entitled to collect the shortfall from property developers or property owners. In practice, although we will seek to negotiate with the property developers, the property owners' associations or relevant counterparties for an increase in property management fees to cover our shortfall, we have been advised by our PRC legal advisors that, in order for us to raise our property management fees, we are required to complete certain administrative procedures, including holding a property owners' meeting. The fees can only be increased if owners representing both (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 experience, 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 costs, 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, which in turn would further reduce the owners' willingness to pay our fees on a timely basis. Moreover, because most of our property management contracts have relatively long terms and local government impose limits on our property management fees, our flexibility to adjust our pricing upwards in response to rising operating costs are limited. If we fail to negotiate with the property developers or the property owners' associations for an increase in property management fees to cover our shortfall, we may suffer losses, which could result in a material adverse effect on our profitability, financial position and results of operations.

**We may not be able to successfully collect fees from property owners and property developers and, as a result, may incur impairment losses on receivables**

We may encounter difficulties in property management fee collections in certain properties where the vacancy rate is relatively high or the residents are accustomed to pay the property management fees after a year when the fees are due. Even though we seek to collect overdue property management fees from relevant counterparties through various collection measures including home visits and text messages, we cannot assure you that such measures will be effective. In addition, before accepting engagements with existing properties, we assess the historical collectibility of management fees in these properties. However, there is no assurance that such assessment would enable us to accurately predict our future collection level.

For the years ended December 31, 2012, 2013 and 2014, the amounts overdue for more than 180 days were RMB1.8 million, RMB14.8 million, and RMB19.4 million, respectively, while our average trade receivable turnover days amounted to 50, 53, and 56 in 2012, 2013 and 2014. For the balances that our management believes may not be recovered within a reasonable time frame, we had allowance for doubtful debts in relation to trade receivables of RMB8.7 million, RMB15.3 million and RMB29.1 million as of December 31, 2012, 2013 and 2014, respectively. 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 debts in relation to trade receivables becomes insufficient in light of new information, we may need to make more allowance for such doubtful debts, which may in turn materially and adversely affect our business, financial position and results of operations. For the years ended December 31, 2012, 2013 and 2014,

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## RISK FACTORS

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impairment losses recognized on trade receivables are RMB5.9 million, RMB6.5 million, and RMB13.9 million, respectively. For more information, please see the section headed “Financial Information — Description of Certain Items in Statements of Financial Position — Trade and Other Receivables.”

Furthermore, as of December 31, 2012, 2013 and 2014, we incurred prepayment on behalf of residents amounting to RMB6.0 million, RMB8.4 million and RMB10.3 million, respectively. Such balance represented the payment on behalf of community residents for the utilities bills by utilities suppliers and paid on behalf of the residents. There is no guarantee we may maintain or improve the recoverability of our payments on behalf of residents. There can also 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.

### **We depended on dispatch agencies and rely on third-party sub-contractors to perform certain property management services**

During the Track Record Period, we relied heavily on dispatch workers to render services to our properties. As of December 31, 2014, we had 821 employees and 3,536 dispatch workers. Furthermore, our dispatch worker costs accounted for 39.1%, 46.7% and 47.7% of our total cost of sales and services in 2012, 2013 and 2014, respectively. We only worked with one major dispatch agency at any given time during the Track Record Period.

According to the Interim Provisions on Labor Dispatch 《勞務派遣規定》(the “Interim Provisions”) which came into effect on March 1, 2014, the number of dispatch workers used by an employer should not exceed 10% of the total number of its workers. The Interim Provisions grant a two-year transition period for companies to reduce the use of dispatch workers, to satisfy the 10% requirement. For more information, please see the section headed “Regulations — Legal Regulations over Labor Protection in the PRC.” Accordingly, in the beginning of 2015, we terminated our dispatch worker arrangement and adopted a sub-contracting arrangement in order to reduce the percentage of dispatch workers engaged by us to a level that complies with the Interim Provisions. In light of the Interim Provisions, we will engage more and more third-party sub-contractors for property management services, as we increasingly rely heavily on sub-contractors as our suppliers of staff. However, we may not be able to monitor their services as directly and efficiently as our own services. They may take actions contrary to our instructions or requests, or fail to fulfil 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 costs and business disruptions and potentially expose us to litigation and damage claims. In addition, since we were relying on a single sub-contractor, an Independent Third Party, to provide us over 3,500 staff to render services to properties under our management as of the Latest Practicable Date, if this third-party sub-contractor fails to maintain a stable team of qualified labor or have ready access to a stable supply of qualified labor, our operations may be interrupted and the quality consistency of our services may deteriorate. Furthermore, we do not have a long term agreement with such sub-contractor and our existing agreement with such sub-contractor is only for a term of two years until December 31, 2016. For details, please also see the section headed “Our Business — Our Suppliers.” Any interruption to our third-party sub-contractors’ provision of services may potentially result in a breach of the contract we entered into with our customers. Moreover, as we expect to continue to rely on one sub-contractor to provide services that we used to conduct through dispatch workers, we estimate the costs related to this one sub-contractor will continue to

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## RISK FACTORS

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account for a significant portion of our total cost of sales and services in the future. Any increase in fees in relation to this sub-contractor may cause material adverse impact to our operators. There can be no assurance that we will always be able to find suitable sub-contractors or renew our relationship with existing sub-contractors in a timely manner, on terms acceptable to us, or at all. Should we reduce our reliance on sub-contractor to provide staff for us, we may incur additional costs. 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.

**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 and intend to further extend our business presence throughout the PRC through acquisitions of regional property management companies. As of December 31, 2012, 2013 and 2014, properties which we were contracted to manage occupied an aggregate GFA of approximately 25.6 million sq. m., 29.2 million sq. m. and 31.4 million sq. m., respectively, representing an increase of 22.7% between December 31, 2012 and 2014. As of December 31, 2012, 2013 and 2014, the number of properties we were contracted to manage were 128, 143 and 149, respectively, representing an increase of 16.4% between December 31, 2012 and 2014. We seek to increase the total contracted GFA and the number of properties we are contracted to manage through expanding in existing and exploring into new markets. However, there is no assurance that we could continue to enter into new contracts or renew existing contracts upon expiration. Our expansion is based upon our forward-looking assessment of market prospect. There is no assurance 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 regulations, change in supply and demand for our services, non-performance of the strategic collaboration agreements by relevant partners, as well as our ability to obtain sufficient financing for our expansion efforts. In addition, among the properties we contracted to manage, we only charge for the provision of management services to the properties that are ready for delivery which is marked by service of delivery notice to the first group of property owners for their residential units in relevant properties. If the property developers fail to deliver the properties in accordance with the pre-agreed contractual terms, we may not be able to achieve projected income and recover the costs incurred for preparation works.

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 merchants, third-party sub-contractors, suppliers and other business partners as we do in our established markets. Our ability to leverage our brand name may be more limited in new markets than in our established markets, and we may face more intense competition from established property management companies in those new markets.

Furthermore, our future growth depends on our management's ability to improve our administrative, technical, operational and financial infrastructure. To succeed in our business expansion, we will need to recruit and train new managers, butlers and other employees, select qualified third-party



## RISK FACTORS

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sub-contractors and suppliers, and continue to build our operations and reputation and conduct market research to understand the needs and preferences of the residents in new markets. In addition, with the increase in our business scale, we may encounter a wide range of difficulties in managing our business, such as generating sufficient liquidity internally or obtaining external financing for our capital needs, replicating our business model, allocating our human resources and managing 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.

### **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 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. Even if we are able to identify suitable opportunities, we may not be able to complete the acquisitions due to regulatory or financial constraints, or on terms acceptable to us, in a timely manner, or at all. The inability to identify suitable acquisition targets or complete acquisitions could materially and adversely affect our competitiveness and growth prospects. After acquisitions are completed, we also face certain uncertainties and risks related to our acquisitions, including without limitation:

- potential ongoing financial obligations and unforeseen or hidden liabilities;
- inability to apply our business model or standardized business processes on the acquisition targets;
- failure to retain the employees of the acquisition targets;
- failure to achieve the intended objectives, benefits or revenue-enhancing opportunities; and
- diversion of resources and management attention.

Furthermore, we may face difficulties in integrating acquired operations with our existing business, particularly when integrating our 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 costs, any of which could materially and adversely affect our business, financial position and results of operations.

### **Our O2O business may not grow as planned and our investment in the O2O platform involves certain risks**

We plan to focus on developing our O2O platform by expanding the coverage of our services on the platform, further developing the O2O platform and integrating O2O platform with the provision of our butler services. We aim to expand the functionality of O2O platform and its mobile application to increase accessibility and improve user experience. We commenced the implementation of O2O platform in selected properties in March 2015. For more information, please see the section headed “Our Business — Our O2O Platform.” However, there is no assurance that we will be able to grow our O2O

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## RISK FACTORS

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business as planned. In particular, we may fail to generate sustainable revenue due to various reasons beyond our control. In particular, there is no assurance that the residents would adopt our O2O platform to acquire additional services and products via our butlers and merchants on the platform. We may fail to attract merchants to provide products and services on our platform. In addition, we may also encounter technical problems and security issues that would prevent our platform from working properly and our users from receiving the optimal experience. We may further incur product liability from reselling the products or services on our platform according to relevant PRC laws and regulations. If we are unable to resolve such problems in a timely manner, or at all, we may lose our existing users or face lower user engagement. In addition, we may not be able to recruit sufficient qualified personnel to support the growth of our O2O platform. Furthermore, changes in demand from residents and in market trends may adversely affect our current plan or deter our offering of certain products or services, and the related costs incurred may not be recovered. As such, although we plan to use [REDACTED] of the proceeds raised from this [REDACTED] for developing our O2O business, we cannot assure you that our investment in O2O business can be recovered in a timely method, or at all, or our return would be comparable to other companies. In addition, our future development of and investment in our O2O business may be subject to restrictions on PRC laws and regulations governing the license approval and renewal, including ICP License. There is no assurance that we can always obtain or renew our license on time, if at all. Any of the foregoing could adversely affect our reputation, business, financial position and results of operations.

### **Our O2O business is subject to third-party payment processing related risks**

We accept payments using a variety of methods, including payment through third-party online payment platforms such as Alipay and Tenpay and may in the future include online payments with credit cards and debit cards issued by major banks in China and payment on delivery. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower our profitability. We may also be subject to fraud and other illegal activities in connection with the various payment methods we offer, including online payment and payment on delivery options. We are also subject to various rules, regulations and requirements, regulatory or otherwise, governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from consumers, process electronic funds transfers or facilitate other types of online payments, and our business, financial condition and results of operations could be materially and adversely affected.

### **Our historical results may not be indicative of our future prospects and results of operations**

We aim to develop our O2O platform, which would provide services and products to the properties that we manage. For more information, please see the section headed “Our Business — Our O2O Platform.” During the Track Record Period, we primarily generated revenue through property management services including standard services, butler services, ancillary services and consulting services. In managing O2O business operations, we plan to generate revenue from re-selling goods that we sourced from other third party merchants. In addition, the platform involves various elements of uncertainty and would require large amount of investment to develop. Our results of operations starting

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from 2015 may be negatively impacted by the investment and expenses incurred in developing the O2O platform prior to our O2O business starting to generate profit. With the addition of the O2O model, our historical results may not be indicative of our future prospects and results of operations.

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

We generate a significant portion of our revenue from our property management services. In 2012, 2013 and 2014, revenue generated from our property management services constituted 82.4%, 82.2% and 81.1%, respectively, of our total revenue. Such property management contracts may be terminated upon the establishment of property owners’ associations in the properties we manage. In such case, we may not succeed in signing new property management contracts with the property owners’ associations on favorable terms, or at all. Although, according to PRC laws, the establishment of property owners’ associations is subject to certain restrictions, we cannot assure you that these restrictions for establishing property owners’ associations will not be eliminated in the future. For more information, please see the section headed “Our Business — Property Management Business Line — Key Contracts under Property Management Business Line — Terms Specific to Contract with Property Developers.”

Our property management contracts with property developers generally do not specify the expiration date and will be terminated upon the establishment of property owners’ associations, and our property management contracts with the property owners’ associations generally have terms of approximately one to five years. As of December 31, 2014, 21 out of our 149 property management contracts had specified expiration dates, accounting for a total contracted GFA of 5.2 million sq. m. For more information, please see the section headed “Our Business — Property Management Business Line — 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 decrease our revenue from property management services, which could have a material adverse effect on our business, financial position and results of operations.

**Interruptions and security risks to our IT systems, including security breaches and identity theft, may result in disruption of our operations and reduced use of our applications by our customers, and expose us to the risk of litigation which could materially and adversely affect our business, financial condition, results of operations and our reputation**

We operate under a comprehensive internal management system where information related to human resources and financials could be processed automatically. If we are unable to detect any system error, continue to effectively upgrade our IT systems and network infrastructure and take other steps to improve the efficiency of our IT systems, there may be system interruptions or delays, which could adversely affect our operating results. In addition, we may experience occasional system interruptions and delays to our O2O platform or customer service systems that make our applications’ services unavailable or difficult to access, and prevent us from promptly responding or providing services to our customers, which may reduce the attractiveness of our applications and even incur losses to our customers who may bring legal proceedings against us. Moreover, our O2O businesses and client database are subject to security risks, including leak of confidential information or data, security breaches and identity theft. Any leak of confidential information or data, breach of network security or

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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 materially and adversely affect our business, financial condition, results of operations and our reputation.

**Interruptions to standardized and centralized operations, which relies on our network operations center, may materially and 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 by instructing and supervising on-site service teams through remote security cameras and receiving requests and feedbacks from residents through our 400 service hotline.

Many factors such as power outage and damage to our equipment may cause interruptions to our centralized remote system and 400 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 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. For more information, please see the section headed “Industry Overview — Property Management Industry in the PRC — Competitive Landscape of the Property Management Industry in the PRC.” Our major competitors include large national, regional and local residential property management companies, and emerging companies that have recently entered the business. Competition may intensify as our competitors expand their product or service offerings into or as new competitors enter our existing or new markets. Our competitors may have better track records, longer operating histories, greater name recognition and larger customer bases and may be able to devote more resources to the development, promotion, sale, and support of their services. We believe our current success can be partially attributed to our standardization of operations in providing our property management services and we plan to improve the quality and efficiency of our services while cutting down costs. If we fail to continue to improve our standardization, or our competitors successfully emulate our business model, we may lose a competitive advantage that has distinguished ourselves from our competitors. If we do not compete successfully against existing and new competitors, we may not be able to renew our existing contracts upon expiration or/and fail to win the bid for new projects, which will further materially and adversely affect our business, financial position, results of operations and prospects.

In addition, the lack of property development background may place us at a relative disadvantage compared to some competitors affiliated with property developers. Some of our competitors have separate property development business divisions, and these property development business divisions serve as captive clients of such property management companies. These captive clients provide a stable

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source of revenue for our competitors. In contrast, we do not have such property development business division, and our results of operation may be subject to greater fluctuations due to the lack of such a source of stable revenue.

Furthermore, we may lose property management clients who diversify into property management business, which will also intensify the competition of the market. We rely on small and medium-sized property developers as our clients, and such clients may develop their own property management businesses and provide property management services in-house. In such event, we may lose future business from such property developers who diversify into the property management business, and our business, operating results and financial position could be materially and adversely affected.

In our O2O business, we face intense competition in the market for customers, merchants and suppliers, and we expect competition to continue to intensify in the future. In particular, we may encounter more intense competition from developers with full-fledge property management services capacity when we seek to extend our O2O business into properties managed by them or explore opportunities in markets where they have strong influence since they may already have their own O2O platform. Increased competition in the property management industry and the O2O industry may result in reduced pricing for our services and a decrease in our market share, any of which could negatively affect our ability to retain existing customers and attract new customers, our future financial and operating results, and our ability to grow our business.

### **Damage to the common areas of the properties 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 common areas of the properties we manage may be damaged in a variety of ways that are beyond our control, including but not limited to natural disasters or residents' intended or unintended actions. For example, in the event of natural disasters, such as earthquake, typhoon and flood, if we fail to notify or take necessary preventive action or remedial measures, the properties or vehicles on common areas may be materially damaged for which we may be liable. If any person purposely or recklessly sets fire or causes flooding in an apartment or common 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 properties, we need to allocate additional resources to assist the police and other governmental authorities on their investigations. We may have legal liabilities in cases where we have contractual or legal duties to maintain the common area. In the event of any damage that affects the common areas, our current residents may be affected which may adversely affect our reputation and further impair our ability to win new clients.

The additional costs we incur due to damage to the common 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. None of our assets, business, results of operations and financial position were materially affected during the Track Record Period. However, 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, and residents' intended or unintended actions.

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### **Accidents occurring in properties that we manage 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 properties through our own employees or third-party sub-contractors. Repair and maintenance services such as lift 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, personal injury or death of the people in the properties managed by us. In addition, we could be exposed to claims that may arise due to employees’ or third-party sub-contractors’ negligence or recklessness when conducting managing service in respect of common areas, such as injury or death of people in common area of the properties managed by us, including swimming pools or visitor parking lots. During the Track Record Period, couple of fatal accidents occurred in the properties we manage, which resulted in penalty and litigation, respectively. We may be liable for such accidents from time to time. For more information, please see the subsection headed “Our Business — Legal Proceedings and Compliance.” Working in dangerous environment also presents risks to our employees and third-party sub-contractors. We may be held liable for the employees’ and sub-contractors’ injuries or deaths.

Moreover, as the property management business is highly regulated in China, 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.

There can be no assurance that we will be able to prevent any such accidents from happening in the future; and in the event of such accidents, our insurance may not sufficiently cover losses and liabilities we may encounter. For more information, please see the subsection headed “— Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter.” Any of the foregoing could adversely affect our reputation, business, financial position and results of operations.

### **Negative publicity, including adverse information on the internet, about us, our brand, management, merchants and product offerings on our O2O platform may have a material adverse effect on our business, reputation and the trading price of our shares.**

Negative publicity about us, our brand, management, merchants and product offerings on our O2O platform may arise from time to time. Negative comments about the properties managed by us, products offered on our O2O platform, our business operation and management may appear in internet postings and other media sources from time to time and we cannot assure you that other types of negative publicity of a more serious nature will not arise in the future. For example, if our O2O platform fails to meet the needs of our customers, our customers may become disgruntled and disseminate negative comments about our O2O services. In addition, the merchants on our O2O platform may also be subject to negative publicity for various reasons, such as customers’ complaints about the quality of their products and related services or other public relation incidents of such merchants, which may adversely affect the sales of products of these merchants on the O2O platform operated by us and indirectly affect our reputation. Moreover, negative publicity about other O2O platforms for property management services or e-commerce service providers in China may arise from time to time and cause customers to lose confidence in the products and services we offer. Any such negative publicity, regardless of veracity, may have a material adverse effect on our business, our reputation and the trading price of our shares.

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### **We may not be able to detect and prevent fraud or other misconduct committed by our employees or third-parties**

We are exposed to fraud or other misconduct committed by our employees, agents, customers or other third parties that could subject us to financial losses and sanctions imposed by governmental authorities as well as seriously harm our reputation. For example, theft conducted by third parties may cause us to make compensation if we were held negligent or reckless and will also cause us to suffer damage to our reputation in the market. In addition, in managing our O2O business, we rely on third-party delivery service providers to deliver products to residents, and any major interruptions to or failures in these third-parties’ delivery services could prevent the timely or successful delivery of relevant goods. These interruptions may be due to unforeseen events that are beyond our control or the control of these third-party delivery companies, such as inclement weather, natural disasters, transportation interruptions or labor unrest or shortage. If the purchased goods are not delivered on time or are delivered in a damaged state, consumers may refuse to accept goods and may claim refund from us or the merchants on our O2O platform, and the merchants on our O2O platform may have less confidence in our services. As a result, we may lose merchants on our O2O platform, and our financial condition and reputation could suffer.

Our management information systems and internal control procedures are designed to monitor our operations and overall compliance. However, they may be unable to identify non-compliance and/or suspicious transactions in a timely manner, or at all. Further, it is not always possible to detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective. There will therefore continue to be the risk that fraud and other misconduct may occur, including negative publicity as a result, which may have an adverse effect on our business reputation, financial condition and results of operations.

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

Our operations are affected, and are expected to continue to be affected, by the regulatory environment and measures affecting the PRC property management industry. 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. For more information, please see the section headed “Regulations — 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, which will further decrease the profit margin of the property management business. Furthermore, local governments also impose restrictions on the property management fees charged for managing the remaining unsold units which could be at a lower rate. Property management companies may therefore be forced to reduce costs from other sources. We cannot assure you that the regulatory environment of the PRC in relation to property management business will be stable and 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.

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### **Our business is influenced by the performance of the real estate market in the PRC**

We generated our revenue from our property management business line and sales assistance business line during the Track Record Period. The performance of our property management business line and sales assistance business line is primarily dependent on the number of newly developed properties, the delivery of new properties and the total contracted GFA and number of residential properties we manage.

As of December 31, 2014, we were contracted to manage 149 properties in 27 cities, and accordingly, we are affected by the performance of the real estate market in the PRC, particularly in Southern and Eastern China. Any housing market downturn in the PRC generally or in the regions where we operate could adversely affect its business, results of operations and financial condition. In recent years, because supply in the overall property market significantly exceeded demand as well as the recent economic downturn in the PRC, the real estate market in the PRC, especially in the second-tier or third-tier cities where we may have a majority of our business, was subject to significant downturns and disruptions for a sustained period. Although various policies, such as a decrease in the interest rate, have been imposed by the PRC government to stabilize the sector, there is still uncertainty over the prospects of the real estate market. If the PRC real estate market continues to perform poorly, there will be a lack of newly developed properties and high vacancy rate in second-tier and third-tier cities, which will materially impair our profitability, our business, financial position and results of operations.

### **Our business is significantly influenced by various factors affecting property management 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 properties we manage, 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.

### **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, who have an average of approximately 15 years of experience in the property management industry and in the hospitality industry. If any 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 more information, please see the section headed "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. As the market is competitive, there is no assurance that we will be able to recruit sufficient number of qualified employees in time to



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support our growth plan. 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**

We have purchased public liability insurance for the majority of the properties we manage and employer liability insurance for our on-site staff. However, 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. For more information, please see the section headed “Our Business — Insurance.” In addition, our strategy to develop our O2O platform depends on the terms under the Structured Contracts, which is subject to various risks. We do not have insurance coverage for the risks relating to the Structured Contracts. For details on the insurance for Structured Contracts, please see the section headed “Structured Contracts — Insurance.”

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

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. 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 might sustain injuries or damages while visiting properties under our management. For details, please also see the section headed “Our Business — Legal Proceedings and Compliance.” 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. Any such dispute, claim or proceeding may have a material adverse effect on our business, financial position and results of operations.

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

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

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control systems depend on their implementation by our employees, we cannot assure you that all of our employees will adhere to such policies and procedures, and the implementation of such policies and procedures may involve human errors or mistakes. Moreover, our growth and expansion may affect our ability to implement stringent risk management and internal control policies and procedures as our business evolves. If we fail to timely adopt, implement and modify, as applicable, our risk management and internal control policies and procedures, our business, financial condition and results of operations could be materially adversely affected.

### **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 security funds and housing funds for their employees. The total of such outstanding contributions amounted to approximately RMB10.4 million as of December 31, 2014, and amounts of RMB3.9 million, RMB2.9 million and RMB3.6 million are charged to our combined statements of profit or loss and other comprehensive income for 2012, 2013 and 2014, respectively.

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 respect of outstanding social insurance contributions that accumulated during and after the Track Record Period, we may be liable to a late payment fee equal to 0.05% of the outstanding amount calculated daily from the date the relevant 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 cases where we failed 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 cases where we failed 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.

### **Our failure to protect our intellectual property rights or prevent infringement on others’ intellectual property rights could have a negative impact on our business and competitive position**

We consider our intellectual properties, and in particular, our copyrights over our O2O platform and program codes, our 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 as well as our O2O platform to increase brand recognition and to further develop our brand. As of the Latest Practicable Date, we registered 11 trademarks in the PRC and are in the process of applying for the registration of nine trademarks in the PRC and nine trademarks in Hong Kong. We have also registered nine domain names. For more information, please see the section headed “Statutory and General Information — 5. Further Information About Our Business — B. Our Intellectual Property Rights” in Appendix IV to this document. The unauthorized reproduction of and any disruption in using of our trademark or domain names could diminish the value of our brand, market reputation and competitive advantages. Conversely, we may from time to time fail to register intellectual property rights or unknowingly infringe the rights of others. In such events, we may be exposed to litigation risks and may not be able continue to enjoy the benefits associated with the intellectual property rights. There is no assurance that we have not or will not infringe on other people’s intellectual

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property rights. As a result, our reputation may be diminished or damaged through these actions, and our business, operating results and financial position may be materially and adversely affected. For more information, please see the section headed “Our 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.

### **Our rights to lease certain properties could be challenged, which could prevent us from continuing to occupy the affected properties**

The lessors of certain properties leased by us as office space with an aggregate gross floor area of 252.23 sq. m. 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. In addition, the lessors of all 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 so within a specified time limit, we may be subject to a fine between RMB1,000 and RMB10,000 for each of such lease agreement. For more information, please see the section headed “Our Business — Legal Proceedings and Compliance — Non-Compliance Record.”

## RISKS RELATING TO OUR CORPORATE STRUCTURE

### **The PRC government may determine that the Structured Contracts or the ownership structure or business operations of our Group or Guangzhou Maiyue 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 Advisors are 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, and accordingly they are valid, binding and enforceable among Guangzhou Maiyue, its shareholders and Guangzhou Suiya. However, our PRC legal advisors are 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, in January 2015, MOFCOM published a consultation draft of the proposed Foreign Investment Law (the “Draft Foreign Investment Law”) for public review and comments. Among

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other things, the Draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of “actual control” in determining whether a company is considered as a foreign-invested enterprise. Under the Draft Foreign Investment Law, entities would be deemed as foreign-invested enterprises if they are ultimately “controlled” by foreign investors notwithstanding their equity interests being held directly by the PRC shareholders, and be subject to regulatory approval requirements and other restrictive measures if the relevant business sectors fall within the restricted or specially regulated categories. The Draft Foreign Investment Law also expressly includes the contractual structure that is currently adopted by many companies engaging in business subject to foreign ownership restrictions.

The explanatory notes for the Draft Foreign Investment Law propose regulations to address contractual structures set up before the effectiveness of the Draft Foreign Investment Law: (i) if the foreign investment enterprise has filed with the competent regulatory authority and has been confirmed that it is under actual control of a PRC investor, it may keep its contractual structure and continue its operation; (ii) the foreign investment enterprise files with the competent regulatory authority to obtain confirmation that it is under actual control of a PRC investor, and upon such confirmation may keep its contractual structure and continue its operation; or (iii) the foreign investment enterprise applies for permission for the foreign investment with the competent regulatory authority, and such authority will, together with other relevant authorities, decide whether to grant such permission based on assessment of various factors including the actual controlling shareholders of such enterprise.

However, as at the Latest Practicable Date, the Draft Foreign Investment Law remained a consultation draft of a legislative bill, which has not been submitted for reading by the legislature, nor has it been approved or taken legal effect. It is uncertain when the draft would be signed into law and whether the final version would have any substantial changes from the draft.

As advised by our PRC legal advisors, according to the Draft Foreign Investment Law, a foreign investor refers to any of the following entities that invests in the PRC: (i) individuals who are not PRC nationals; (ii) enterprises established under the laws of countries or regions other than the PRC; (iii) governments or its subordinate departments or bodies of countries or regions other than the PRC; or (iv) international organizations. Any domestic enterprise controlled by any of the foregoing entities should also be deemed as a foreign investor.

Our PRC legal advisors confirmed that based on the existing contents of the Draft Foreign Investment Law, Mr. Liu is a PRC national and thus a domestic investor under the Draft Foreign Investment Law.

Any future acquisition of rights, benefits or assets of or equity interests in Guangzhou Maiyue 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;

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- 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.

If any of the above possible actions were to be taken by PRC regulatory authorities, the flow of economic benefits from Guangzhou Maiyue 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 Guangzhou Maiyue or our right to receive its economic benefits, we would no longer be able to consolidate Guangzhou Maiyue into our Group. In addition, we may have to rationalize or restructure the operations of Guangzhou Maiyue 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 materially and 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 Guangzhou Maiyue**

We rely on contractual arrangements with Guangzhou Maiyue to operate our value-added telecommunication business in the PRC. For more information, please see the section headed “Structured Contracts.” These contractual arrangements may not be as effective in providing us with control over Guangzhou Maiyue as direct ownership. If we had direct ownership of Guangzhou Maiyue, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of Guangzhou Maiyue, which in turn could affect changes at the management level. However, under the current contractual arrangements, we exercise the rights authorized by Guangzhou Maiyue’s shareholders and rely on Guangzhou Maiyue’s and their shareholders’ compliance with the contracts to exercise control over our Guangzhou Maiyue.

### **Any failure by Guangzhou Maiyue 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 Guangzhou Maiyue 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 contacts 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 exercise effective control over Guangzhou Maiyue, and our ability to conduct our business may be materially and adversely affected. For example, if the shareholders of Guangzhou Maiyue were to refuse to transfer their equity interest in such consolidated

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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 Guangzhou Maiyue may potentially have a conflict of interest with us, and they may breach their contracts with us**

Our control over Guangzhou Maiyue is based upon the Structured Contracts. One of the shareholders of Guangzhou Maiyue, namely Mr. Liu, is our executive Director. Conflicts of interest may arise due to such dual role of Mr. Liu. If he breaches his contracts with us or otherwise has disputes with us, we may 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 Guangzhou Maiyue 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 any online value-added services**

Pursuant to the Catalogue of Industries for Guiding Foreign Investment (2015 version) 《外商投資產業指導目錄》(2015年修訂)), value-added telecommunication service, with e-commerce as an exception, 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. 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”).

We have made and intend to continue to make progress towards satisfaction of 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.**” Therefore, we cannot assure you that such steps we take will guarantee the satisfaction of the Qualification Requirement required by the relevant authorities at the moment. We undertake to unwind the Structured Contracts and acquire the equity interest in Guangzhou Maiyue as soon as the relevant PRC laws allow us to operate Guangzhou Maiyue’s business without the Structured Contracts. If, in the future, the PRC laws provide clear guidance or interpretation of the Qualification Requirement, we may be required to unwind the Structured Contracts and may not be approved to acquire the equity interests of Guangzhou Maiyue as we may not meet these requirements as stipulated by PRC laws within the time limit in the future.

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### **Our arrangements with Guangzhou Maiyue 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 Guangzhou Maiyue were not entered into based on arm's length negotiations. If the PRC tax authorities determine that these contracts were not entered into on an arm's length basis, they may adjust our income and costs for PRC tax purposes in the form of a transfer pricing adjustment. A transfer pricing adjustment could adversely affect us by increasing Guangzhou Maiyue's tax liability without reducing our PRC subsidiary's tax liabilities, and could further result in late payment fees and other penalties to Guangzhou Maiyue 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 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 Guangzhou Maiyue, grant injunctive relief or wind up Guangzhou Maiyue. 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 Guangzhou Maiyue in case of disputes. Therefore, such remedies may not be available to us, notwithstanding the contractual provisions contained in the agreements. PRC laws allow the arbitral body to grant an award of transfer of assets of or equity interest in Guangzhou Maiyue 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 Guangzhou Maiyue as interim 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. Liu, Ms. Zhao or Guangzhou Maiyue, and if we are unable to enforce the Structured Contracts, we may not be able to exert effective control over Guangzhou Maiyue, 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,

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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 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 Guangzhou Maiyue if we provide financial support to Guangzhou Maiyue, and we may lose the ability to use and enjoy assets held by Guangzhou Maiyue that are important to the operation of our business if Guangzhou Maiyue declares bankruptcy or becomes subject to a dissolution or liquidation proceeding**

Under the Structured Contracts, we are not obligated to share the losses of Guangzhou Maiyue incurred to the operation of Guangzhou Maiyue, nor are we obligated to provide financial support to Guangzhou Maiyue under any circumstances. However, in the event that Guangzhou Maiyue operates at losses or otherwise, since Guangzhou Maiyue’s financial condition and results of operations are consolidated into the Group, our business, financial condition and results of operation may be adversely affected. We may also decide and resolve, at our sole and absolute discretion, to provide financial support to Guangzhou Maiyue in any manner permitted by relevant PRC laws in order to maintain its sound operations.

In addition, Guangzhou Maiyue holds certain assets that are important to our business operations. Although relevant agreements under the Structured Contracts between Guangzhou Suiya, Guangzhou Maiyue and its shareholders contain terms that specifically obligate the shareholders of Guangzhou Maiyue to ensure the valid existence of Guangzhou Maiyue and that Guangzhou Maiyue may not be voluntarily liquidated, in the event that the shareholders breach this obligation and voluntarily liquidate Guangzhou Maiyue, or if Guangzhou Maiyue 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 Guangzhou Maiyue 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 Guangzhou Maiyue through Guangzhou Suiya may be subject to various limitations**

We have adopted the Structured Contracts in order to manage our commercial internet information services business on our O2O platform in the PRC and we will unwind the Structured Contracts when PRC laws and regulations allow the commercial internet information services business to be directly operated by us through the acquisition of the equity interest and/or assets of Guangzhou Maiyue by Guangzhou Suiya. However, our acquisition of Guangzhou Maiyue’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



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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 Guangzhou Maiyue) or other limitations as imposed by applicable PRC laws, and may also be subject to substantial costs. Mr. Liu has undertaken that if any minimum price is required to be paid by Guangzhou Suiya or its nominee(s) to any of them, such price will be reimbursed to Guangzhou Suiya or its nominee(s) after deducting RMB1.

### **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 since the commencement of its economic reforms in the late 1970s, 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

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- imposition of additional restrictions on currency conversion and remittances abroad.

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

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies. For more information, please see the section headed “Regulations — 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.

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 statutory requirements. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. 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.

### **We may be considered a “resident enterprise” under the EIT Law and dividend or gain on the sale of our shares received by our non-resident enterprise shareholders may be subject to withholding taxes**

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 withholding taxes with rates between 10%

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and 20%. In addition, although the EIT Law provides that dividend payments between qualified PRC resident enterprises are exempt 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 Zhong Ao HK, 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”), Zhong Ao HK will be subject to a withholding tax at a rate of 5% on dividends received from our PRC operating subsidiaries if Zhong Ao HK is approved/recognized as the beneficial owner of such dividends and the application of the tax treaty is approved by the competent tax authorities. The SAT promulgated a circular on October 27, 2009 (“Circular 601”), 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 possible that under Circular 601, Zhong Ao HK 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.

### **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 [REDACTED], 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 [REDACTED] through overseas shareholder loans or additional capital contributions, which require registration with or approvals from PRC government authorities. Any overseas shareholder loans to our

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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. 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 [REDACTED]. 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 [REDACTED], we may also maintain a significant portion of the proceeds from the [REDACTED] 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 33.4% from July 21, 2005 to June 12, 2015. 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.

### **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

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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, as 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 sometime 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, severe acute respiratory syndrome ("SARS") or ebola virus, 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.

For instance, 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. Furthermore, 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. In 2009, there were reports of the occurrence of H1N1 influenza in certain regions of the world, including the PRC, where we operate our business. In 2014 and 2015, there have been

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ebola virus and Middle East Respiratory Syndrome, or MERS, outbreak which have yet to be completely contained. 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 [REDACTED]**

#### **Purchasers of our [REDACTED] in the [REDACTED] will experience immediate dilution and may experience further dilution if we issue additional [REDACTED] in the future**

The [REDACTED] of our [REDACTED] is higher than the [REDACTED] immediately prior to the [REDACTED]. Therefore, purchasers of our [REDACTED] in the [REDACTED] will experience an immediate dilution in [REDACTED] of HK\$[REDACTED] per [REDACTED], based on the maximum [REDACTED] of HK\$[REDACTED] per consolidated [REDACTED].

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

#### **There has been no prior public market for our [REDACTED] and there can be no assurance that an active market will develop**

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

#### **The liquidity and market price of our [REDACTED] may be volatile, which may result in substantial losses for investors subscribing for or purchasing our [REDACTED] pursuant to the [REDACTED]**

The price and trading volume of our [REDACTED] 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 document, 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 [REDACTED] or sales or perceived sales of additional [REDACTED] by us, our Controlling Shareholders 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 which 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 [REDACTED].

### **Future issues, offers or sales of our [REDACTED] may adversely affect the prevailing market price of our [REDACTED]**

Future issues of [REDACTED] by our Company or the disposal of [REDACTED] by any of our Shareholders or the perception that such issues or sale may occur, may negatively affect the prevailing market price of the [REDACTED]. Moreover, future sales or perceived sales of a substantial amount of our [REDACTED] or other securities relating to our [REDACTED] in the public market may cause a decrease in the market price of our [REDACTED], 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 [REDACTED] held by our Controlling Shareholders are subject to certain lock-up undertakings for a period of up to six months after the [REDACTED]. For more information, please see the section headed “Underwriting — Undertaking pursuant to the Hong Kong Underwriting Agreement — Undertaking by the Controlling Shareholders.” After these restrictions lapse, the market price of our [REDACTED] may decline as a result of future sales of substantial amounts of our [REDACTED] or other securities relating to our [REDACTED] in the public market, the issuance of new [REDACTED] or other securities relating to our [REDACTED], or the perception that such sales or issuances may occur. This could also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem appropriate.

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### **Grants of Shares pursuant to the [REDACTED] and Share Option Scheme could result in dilution to our Shareholders**

We have granted options under the [REDACTED] and may grant options under Share Option Scheme which will entitle participants in these share incentive schemes to receive Shares under certain circumstances. For more information about the [REDACTED] and Share Option Scheme, please see the appendices headed “Appendix IV — Statutory and General Information — [REDACTED]” and “Appendix IV — Statutory and General Information — 9. Share Option Scheme.” The exercise of options will result in an increase in our issued share capital, which in turn will result in a dilution of our Shareholders’ shareholding interest in our Company and a reduction in earnings per Share.

### **We may need additional capital, and the sale or issue of additional Shares or other equity securities, which could result in additional dilution to our Shareholders**

We believe that our current cash and cash equivalents, anticipated cash flow from operations and the net proceeds from the [REDACTED] will be sufficient to meet our anticipated cash needs for the near future. We may, however, require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. The amount and timing of such additional financing needs will vary. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing through selling additional equity or debt securities or obtaining a credit facility. The sale of additional equity securities could result in additional dilution to our Shareholders. Furthermore, we may issue Shares which would further dilute Shareholders’ interests in our Company. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that may, among other things, restrict our operations or our ability to pay dividends. Servicing such debt obligations could also be burdensome to our operations. If we fail to service the debt obligations or are unable to comply with such debt covenants, we could be in default under the relevant debt obligations and our liquidity and financial conditions may be materially and adversely affected.

Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including:

- investors’ perception of, and demand for, our services;
- conditions in Hong Kong and other capital markets in which we may seek to raise funds;
- our future results of operations, financial condition and cash flows;
- PRC governmental regulation of foreign investment in property management industry in China;
- economic, political and other conditions in China; and
- PRC governmental policies relating to foreign currency borrowings.



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We cannot assure you that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell debt or additional equity securities or reduce our growth to a level that can be supported by our cash flow, or defer planned expenditures.

**The market price of our Shares when trading begins could be lower than the [REDACTED] 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 [REDACTED] will be determined on the [REDACTED]. However, the [REDACTED] will not commence trading on the Stock Exchange until they are delivered, which is expected to be on the sixth Business Day after the [REDACTED]. As a result, investors may not be able to sell or otherwise deal in the [REDACTED] during that period. Accordingly, holders of the [REDACTED] are subject to the risk that the price of the [REDACTED] when trading begins could be lower than the [REDACTED] 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 Shareholders have substantial control over the Company and their interests may not be aligned with the interests of the other Shareholders**

Prior to and immediately following the completion of the [REDACTED], our Controlling Shareholders will continue to have substantial control over its interests in the issued share capital of our Company. Subject to the Articles of Association and the Companies Law and the Listing Rules, the Controlling Shareholders 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 interests of the Controlling Shareholders 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 Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders can be at a disadvantage 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 document are derived from various official government sources and third-party sources and may not be reliable**

Certain facts and other statistics in this document 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.

## **RISK FACTORS**

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**Investors should read the entire [REDACTED] carefully and should not consider any particular statements in published media reports, press articles or research analyst reports without carefully considering the risks and other information contained in this document**

There may be coverage in the media regarding the [REDACTED] and our operations. There had been, prior to the publication of this document, and there may be, subsequent to the date of this document but prior to the completion of the [REDACTED], press and media coverage regarding us and the [REDACTED], which contained, among other matters, certain financial information, projections, valuations and other forward-looking information about us and [REDACTED]. 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 document, we disclaim it. Accordingly, prospective investors should read the entire [REDACTED] carefully and should not rely on any of the information in press articles or other media coverage. Prospective investors should only rely on the information contained in this document and the [REDACTED] to make investment decisions about us.

### **Forward-looking information may prove inaccurate**

This document 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 document, 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 document. 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 document. 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 document 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 document 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 ongoing 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

## **RISK FACTORS**

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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 have declared and paid a number of dividends during the Track Record Period. More recently, in February 2015, we declared dividends of RMB20.0 million and have fully paid this amount in the same month. Subsequently, we declared dividends of RMB67.6 million in April 2015, which we have fully paid in June 2015, partially offsetting RMB34.1 million of the amounts due from our Directors. The payment of such dividends were funded from cash generated from operations. There is no assurance that dividends of any amount will be declared or distributed in the future. 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.

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## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

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In preparation for the [REDACTED], we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

### **MANAGEMENT PRESENCE IN HONG KONG**

According to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong and at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Since we have our headquarters and principal operations in the PRC, we do not, and in the foreseeable future will not, have sufficient management presence in Hong Kong in strict compliance with the normal requirements under Rule 8.12 of the Listing Rules. Currently, none of the executive Directors is a Hong Kong resident. Our executive Directors are all PRC residents and have to spend most of their time looking after the principal businesses and operations of our Group in the PRC. Accordingly, we have applied to the Stock Exchange for, [and the Stock Exchange has granted to us,] a waiver from strict compliance with Rule 8.12 of the Listing Rules.

Our Company has made arrangements to maintain regular and effective communication between the Stock Exchange and us as follows:

- our Company has appointed Ms. Chen Zhuo, our executive Director, and Mr. Yu Chun Hong, the company secretary, as the authorized representatives in compliance with Rule 3.05 of the Listing Rules. Ms. Chen Zhuo and Mr. Yu Chun Hong will serve as the principal channel of communication with the Stock Exchange on behalf of our Company and will be readily contactable by telephone, fax and email and if required, will be able to meet with the Stock Exchange to discuss any matter in relation to our Company;
- Ms. Chen Zhuo and Mr. Yu Chun Hong or their alternates to be appointed under Rule 3.06(2) of the Listing Rules have provided or will provide to the Stock Exchange their mobile and office telephone numbers and fax numbers;
- both Ms. Chen Zhuo and Mr. Yu Chun Hong have means of contacting all other Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact any Director on any matter;
- each of the Directors and the company secretary has provided to the Stock Exchange their respective office phone number, mobile phone number, fax number and email address;
- each of our Directors who is not ordinarily resident in Hong Kong possesses or will be able to apply for valid travel documents to visit Hong Kong and should be able to meet with the Stock Exchange within a reasonable period of time;
- in accordance with Rules 3A.19 of the Listing Rules, our Company has agreed to appoint Southwest Securities (HK) Capital Limited as our Company's compliance advisor which will serve as a further channel of communication with the Stock Exchange for the period from the [REDACTED] to the date on which our Company has sent the annual report to the Shareholders in respect of the first full financial year commencing immediately after the [REDACTED];

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

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- our Company will ensure that during the engagement period of the compliance advisor, the compliance advisor has access at all times promptly to our Company’s authorized representatives, Directors and other senior officers who will provide to the compliance adviser such information and assistance as the compliance advisor may reasonably require in connection with the performance of the compliance advisor’s duties;
- during the engagement period of the compliance advisor, in the case of resignation by, or termination of, the compliance advisor, our Company undertakes to appoint a replacement compliance advisor within three months from the effective date of such resignation or termination (as the case may be) pursuant to Rule 3A.27 of the Listing Rules; and
- our Company will also appoint other professional advisors (including its legal advisors in Hong Kong), if necessary, after the [REDACTED] to assist our Company in addressing any enquiries which may be raised by the Stock Exchange and to ensure that there will be prompt and effective communication with the Stock Exchange.

### WAIVER AND EXEMPTION IN RELATION TO THE [REDACTED]

Under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, this document is required to include, among other things, details regarding the number, description and amount of any of our Shares which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for Shares subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given, full details of all outstanding options and their potential dilution effect on the shareholdings upon [REDACTED], as well as the impact on the earnings per Share arising from the exercise of such outstanding options under the [REDACTED].

We granted the [REDACTED] to 380 eligible participants (“**Grantees**”) to subscribe for [REDACTED] Shares on the terms set forth in the section headed “Appendix IV — Statutory and General Information — [REDACTED].” These include six Grantees who are Directors, two Grantees who are members of our senior management, two Grantees who are directors of our subsidiaries and therefore connected persons of our Company and the remaining 370 Grantees who are other employees of our Group (“**Other Grantees**”).

We have applied for (i) a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules and (ii) an exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in connection with the disclosure of certain details relating to the [REDACTED] and certain Grantees under the [REDACTED]. In light of the requirements under the relevant regulations described above, we have made the following submissions to the Stock Exchange and the SFC:

- (i) the [REDACTED] are granted to a total of six Directors, two directors of our subsidiaries who are connected persons of our Company, two members of our senior management and 370 Other Grantees. Our Directors consider that it would be unduly burdensome to disclose

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**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND  
THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

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full details of all the [REDACTED] granted by us in this document, which would involve more than 40 pages of contents to be inserted into this document, significantly increasing the cost and timing for information compilation, [REDACTED] preparation and printing;

- (ii) disclosure of full details of all [REDACTED] granted to all Grantees in this document would expose us to increase risks of internal conflicts and could have an adverse impact on the morale among the Grantees;
- (iii) disclosure of key information of the [REDACTED] granted to our Directors, directors of our subsidiaries, members of our senior management and Other Grantees in the section headed "Appendix IV — Statutory and General Information — [REDACTED]" is sufficient to provide potential investors with information to make an informed assessment of the potential dilutive effect and impact on earnings per Share of the [REDACTED] in their investment decision making process;
- (iv) disclosure of, on an individual basis, full details of the [REDACTED] granted by our Company to our Directors, directors of our subsidiaries (who are our connected persons), members of our senior management, and the 14 Other Grantees who have been granted the [REDACTED] to subscribe for 888,000 or more of the Shares will be made in this document, including all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (v) for the remaining Other Grantees, there will be full disclosure on all [REDACTED] granted to them on an aggregate basis, including (a) the aggregate number of other grantees; (b) the number of Shares underlying the [REDACTED]; (c) the consideration paid for the [REDACTED] or an appropriate negative statement; (d) the exercise period of each [REDACTED]; and (e) the exercise price of the [REDACTED];
- (vi) a waiver and exemption from the applicable disclosure requirements under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance will not hinder potential investors from making an informed assessment of our activities, assets and liabilities, financial position, management and prospects and the interest of public investors will not be prejudiced; and
- (vii) the grant and exercise in full of the [REDACTED] will not cause any material adverse change in our financial position.

The Stock Exchange [has granted] us a waiver, subject to the conditions that:

- (i) a certificate of exemption from strict compliance with the relevant Companies (Winding Up and Miscellaneous Provisions) Ordinance requirements is granted by the SFC;
- (ii) a summary of the [REDACTED] is disclosed in this document;

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

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- (iii) the aggregate number of Shares subject to the outstanding [REDACTED] and the percentage of our Company's issued share capital of which such number represents is disclosed in this document;
- (iv) the dilution effect and impact on earnings per Share upon full exercise of the [REDACTED] is disclosed in this document;
- (v) on an individual basis, full details of the [REDACTED] granted by our Company to the Directors, directors of our subsidiaries, members of our senior management, and the 14 Other Grantees who have been granted the [REDACTED] to subscribe for [REDACTED] or more of the Shares are disclosed in this document, including all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (vi) for the remaining Other Grantees, there are full disclosure in this document on all [REDACTED] granted to them on an aggregate basis, including (a) the aggregate number of such Grantees; (b) the number of Shares underlying the [REDACTED]; (c) the consideration paid for the [REDACTED] or an appropriate negative statement; (d) the exercise period of each [REDACTED]; and (e) the exercise price of the [REDACTED]; and
- (vii) a full list of all the Grantees (including the Other Grantees) who have been granted [REDACTED], containing all details as required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance are made available for public inspection in accordance with "Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection" in this document.

The SFC [has granted] a certificate of exemption under Section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, subject to the conditions that:

- (i) on an individual basis, full details of the [REDACTED] granted by our Company to the Directors, directors of our subsidiaries, members of our senior management, and the 14 Other Grantees who have been granted the [REDACTED] to subscribe for [REDACTED] or more of the Shares are disclosed in this document, including all the particulars required under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (ii) for the remaining Other Grantees, there are full disclosure in this document on all [REDACTED] granted to them on an aggregate basis, including (a) the aggregate number of such Grantees; (b) the number of Shares underlying the [REDACTED]; (c) the consideration paid for the [REDACTED] or an appropriate negative statement; (d) the exercise period of each [REDACTED]; and (e) the exercise price of the [REDACTED];

## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

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- (iii) a full list of all the Grantees (including the Other Grantees) who have been granted [REDACTED], containing all details as required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance are made available for public inspection in accordance with “Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection” in this document; and
- (iv) the particulars of the exemption are set out in this document.

Further details of the [REDACTED] are set forth in the section headed “Appendix IV — Statutory and General Information — [REDACTED]” in this document.

### **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 of which, please refer to the section headed “Connected Transactions” in this document.



**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

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## DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

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### DIRECTORS

| <u>Name</u>                    | <u>Address</u>  | <u>Nationality</u> |
|--------------------------------|---|--------------------|
| <i>Executive Directors</i>     |   |                    |
| Mr. LIU Jian (劉建)              | Unit 1602, Block 1<br>District 1, Xi Ao Road<br>Southern Olympic Garden<br>Han Xi Avenue, Zhong Cun Street<br>Panyu, Guangzhou, Guangdong<br>PRC    | Chinese            |
| Ms. CHEN Zhuo (陳卓)             | Unit 102, Block 6<br>District 3, Bei Ao Er Road<br>Southern Olympic Garden<br>Han Xi Avenue, Zhong Cun Street<br>Panyu, Guangzhou, Guangdong<br>PRC | Chinese            |
| Mr. LIANG Bing (梁兵)            | Unit 1602, No.10 Huacheng Road<br>Tianhe, Guangzhou, Guangdong<br>PRC   | Chinese            |
| Mr. LONG Weimin (龍為民)          | Unit 401, 1/F, Block 7<br>District 3, Bei Ao Yi Street<br>No. 100 Han Xi Avenue East<br>Panyu, Guangzhou, Guangdong<br>PRC                          | Chinese            |
| <i>Non-Executive Directors</i> |   |                    |
| Mr. WEI Zhe (衛哲)               | No. N51, Tomson Golf<br>1 Longdong Ave, Pudong, Shanghai<br>PRC   | Chinese            |
| Ms. WU Qimin (吳綺敏)             | No. 6, Lane 75<br>Zhoujiapai Road<br>Yangpu, Shanghai<br>PRC  | Chinese            |
| Mr. LAM Yiu Por (林曉波)          | Flat D, 8/F, Block 3<br>Ocean Shores, Tseung Kwan O<br>New Territory<br>Hong Kong   | Chinese            |

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## DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

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| <u>Name</u>                                | <u>Address</u>   | <u>Nationality</u> |
|--|--|--------------------|
| <i>Independent Non-Executive Directors</i> |  |                    |
| Mr. ZHANG Weilun (張維倫)                     | Unit 201, Block 4<br>Luo District 1<br>Southern Olympic Garden<br>Panyu, Guangzhou, Guangdong<br>PRC | Chinese            |
| Mr. LEE Kwok Tung Louis<br>(李國棟)           | Flat B, 16/F, Tower 1<br>Grand Promenade<br>38 Tai Hong Street<br>Hong Kong                          | Chinese            |
| Mr. YUAN Boyin (袁伯銀)                       | No. 45, 4288 Nong<br>Longdong Avenue<br>Pudong New Area, Shanghai<br>PRC                             | Chinese            |
| Mr. WU Haibing (吳海兵)                       | Unit 602, No. 14<br>386 Nong, Shuidian Road<br>Hongkou, Shanghai<br>PRC                              | Chinese            |

Please refer to the section headed “Directors, Senior management and Employees” in this document for further information on our Directors.

### **PARTIES INVOLVED**

#### **Sole Sponsor**

**Macquarie Capital Securities Limited**  
Level 18, One International Finance Center  
1 Harbour View Street, Central  
Hong Kong

[REDACTED]

## DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

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### Legal advisors to our Company

*As to Hong Kong law:*

**Stevenson Wong & Co.**

4/F, 5/F and 1602, Central Tower

28 Queen's Road Central

Hong Kong

*As to PRC law:*

**Jingtian & Gongcheng**

34th Floor, Tower 3

China Central Place

77 Jianguo Road

Chaoyang District

Beijing 100025

PRC

*As to United States law:*

**Sidley Austin**

Level 39, Two International Finance Center

8 Finance Street

Central

Hong Kong

*As to Cayman Islands Law:*

**Conyers Dill & Pearman**

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

### Legal advisors to the [REDACTED]

*As to Hong Kong and United States law:*

**Clifford Chance**

27th Floor, Jardine House

One Connaught Place

Central

Hong Kong

*As to PRC law:*

**Commerce & Finance Law Offices**

6/F, NCI Tower

A12 Jianguomenwai Avenue

Chaoyang District, Beijing

PRC

**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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**Auditors and reporting accountants**

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

**Industry consultants**

*As to property management industry:*

**China Index Academy**  
No. 118, 5/F Chigang North Road Haizu  
Guangzhou, Guangdong  
PRC

*As to China residential community O2O industry:*

**iResearch Consulting Group**  
3/F, Tower B, SOHO II  
No. 9 Guanghua Road  
Chaoyang District, Beijing  
PRC

**Compliance Advisor**

**Southwest Securities (HK) Capital Limited**  
16/F, Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

**[REDACTED]**

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## CORPORATE INFORMATION

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| <b>Registered address</b>                       | <b>Codan Trust Company (Cayman) Limited</b><br>Cricket Square, Hutchins Drive, P.O. Box 2681<br>Grand Cayman, KY1-1111, Cayman Islands   |
| <b>Headquarters in the PRC</b>                  | No. 12, 2/F, Block 5<br>Southern Olympic Garden, Han Xi Avenue<br>Zhong Cun, Panyu, Guangzhou, Guangdong<br>PRC  |
| <b>Principal place of business in Hong Kong</b> | Suit Nos. 5 and 6, 9th Floor<br>Tower 2, China Hong Kong City<br>33 Canton Road, Tsimshatsui<br>Hong Kong  |
| <b>Website address</b>                          | <a href="http://www.gdzawy.com">www.gdzawy.com</a> <sup>(1)</sup>  |
| <b>Company secretary</b>                        | Mr. YU Chun Hong (余鎮航) ( <i>HKICPA</i> )<br>Flat 16, 25/F<br>Choi Tin House, Hing Tin Estate<br>Lam Tin, Kowloon<br>Hong Kong  |
| <b>Authorized representatives</b>               | Ms. CHEN Zhuo (陳卓)<br>Unit 102, Block 6<br>District 3, Bei Ao Er Road<br>Southern Olympic Garden<br>Han Xi Avenue, Zhong Cun Street<br>Panyu, Guangzhou, Guangdong<br>PRC<br><br>Mr. YU Chun Hong (余鎮航)<br>Flat 16, 25/F<br>Choi Tin House, Hing Tin Estate<br>Lam Tin, Kowloon<br>Hong Kong |
| <b>Audit committee</b>                          | Mr. LEE, Kwok Tung Louis (李國棟) ( <i>chairman</i> )<br>Mr. ZHANG Weilun (張維倫)<br>Mr. YUAN Boyin (袁伯銀)<br>Mr. WU Haibing (吳海兵)   |
| <b>Remuneration committee</b>                   | Mr. ZHANG Weilun (張維倫) ( <i>chairman</i> )<br>Mr. LEE, Kwok Tung Louis (李國棟)<br>Mr. YUAN Boyin (袁伯銀)<br>Mr. WU Haibing (吳海兵)<br>Ms. CHEN Zhuo (陳卓)   |

## CORPORATE INFORMATION

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| <b>Nomination committee</b>  | Mr. LIU Jian (劉建) ( <i>chairman</i> )<br>Mr. LEE, Kwok Tung Louis (李國棟)<br>Mr. ZHANG Weilun (張維倫)<br>Mr. YUAN Boyin (袁伯銀)<br>Mr. WU Haibing (吳海兵)   |
| <b>Principal share registrar and transfer office in the Cayman Islands</b> | [REDACTED]  |
| <b>Hong Kong branch share registrar and transfer office</b>                | [REDACTED]  |
| <b>Principal bankers</b>   | <b>Bank of China (Hong Kong) Limited</b><br>1 Garden Road<br>Hong Kong<br><br><b>Industrial and Commercial Bank of China Limited</b><br>Panyu Branch<br>Zhongcun, Panyu, Guangdong, China |

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*Note:*

- (1) The information contained on the website of our Company does not form part of this document.



## INDUSTRY OVERVIEW

*Investors should note that this industry overview section contains information and statistics that are derived from official government publications, data we purchased from China Index Academy 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 [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] or the [REDACTED], and China Index Academy’s and iResearch Consulting Group’s information and data can be accessed 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 [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] or their respective directors and advisors or any other persons or parties involved in the [REDACTED]. The information may not be consistent with other information available from other sources within or outside the PRC. We, our affiliates or advisors, [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] or their respective directors, affiliates, or advisors, or any party involved in the [REDACTED] 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 RMB0.28 million. Established in 1994, China Index Academy is a professional property research organization in the PRC with over 500 analysts. 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.

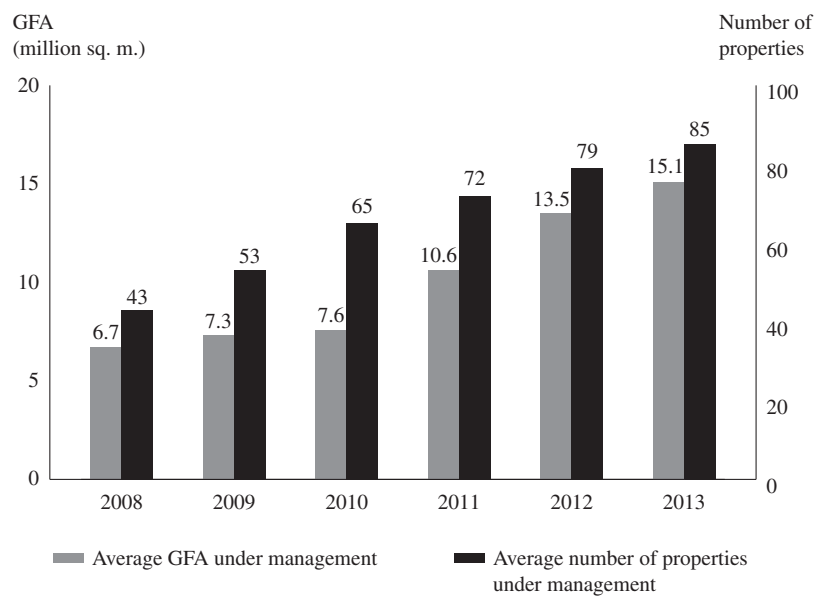
In its research, China Index Academy considered primarily property management companies that have managed at least five properties or 100,000 sq. m. of GFA for the past three years. China Index Academy used research parameters and assumptions by gathering data from a multitude of primary and secondary 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 derived its rankings of overall strength of property management companies by evaluating each property management company’s operational scale, financial

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performance, service quality, growth potential and social responsibility. 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.

### Overview of the China Property Management Industry

China's property management industry has evolved continuously since the 1980s and is currently highly fragmented with more than 70,000 property management companies, according to China Index Academy. From 2008 to 2013, the average GFA managed by top 100 property management companies increased from approximately 6.7 million sq. m. to approximately 15.1 million sq. m. in 2013, representing a CAGR of approximately 17.7%, and is estimated to reach 17.9 million sq. m. in 2014. The industry employs more than eight million people, and the GFA under management exceeds 12 billion sq. m. The chart below sets forth the average GFA and average number of properties managed by the top 100 property management companies from 2008 to 2013.



*Source: China Index Academy; China Index Academy had not published 2014 data as of the Latest Practicable Date*

In terms of geographic coverage, the top 100 property management companies have been expanding their presence since 2008. As of the end of 2013, each of the top 100 property management companies managed an average of 85 properties with an average geographic coverage of 22 cities, representing CAGRs of 14.6% and 12.9%, respectively, from 2008 to 2013. After several years of rapid expansion, the top 100 property management companies are shifting their focus to further developing business in cities where they have already established their presence. This change in their development strategy would allow these companies to solidify their presence in these cities, which will further drive effective cost reduction and aggressive growth of business. A crucial factor of this process would be the business opportunities within various economic regions, such as the Beijing-Tianjin-Hebei Economic Circle around Beijing and the Yangtze River Economic Circle around Shanghai. In 2008, 2009, 2010, 2011, 2012 and 2013, the top 100 property management companies reported average net profit margins of 5.5%, 6.2%, 6.8%, 7.4%, 8.0% and 8.3%, respectively, according to China Index Academy.

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### *Business models of property management companies*

In accordance with Article 9 of the “Measures on the Charges of Property Management Enterprise” promulgated by the PRC government, property management fees may be charged either on a lump sum basis or commission basis. The components of the lump sum price comprise costs of sales and services, statutory taxes and profit for the property management company. Lump sum pricing is largely determined by the market and as costs are borne by the property management companies, these companies operating under this model are more cost-conscious. Under the standard commission basis contracts, the commission fees are in addition to the labor and the social insurance costs, which the property developers or owners’ associations are fully responsible for. Moreover, the property developers and property owners would pay for all the other usual expenses incurred in the course of providing the services, such as utility bills. As a cost-based pricing system, the commission basis model demands owners to exercise their supervisory powers to control costs by themselves, requiring additional supervisory and management costs for property owners. Companies with commission basis pricing typically have significant difficulty in seeking majority approval from property owners. Given that there is a large number of property owners, it may be difficult to unite divergent views of the owners and procure the necessary quorum or votes at the owners’ meetings for approving the costs and budget. In China, most community-type properties adopt property management contracts charged on a lump sum basis.

### *Advantages of independent property management companies*

Independent property management companies have key advantages over property management companies affiliated with property developers. The number of independent property management companies as a percentage of the top 100 property management companies by overall strength, according to China Index Academy, has remained stable at 18%, 19% and 20% in 2012, 2013 and 2014, respectively. Independent property management companies have continued to compete effectively against affiliated property management companies. Independents tend to have more resources to render services and outperform affiliated companies due to its single focus on property management, according to China Index Academy. They can also take on a wider range of projects and clients to work with by avoiding the conflicts of interests that affiliated companies typically face. China Index Academy concluded that the independents’ general superior management and operational efficiency allow them to stand out, and their rise had become a trend in the property management industry.

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### Industry Growth Drivers

China’s significant growth in urbanization rate and per capita disposable income have been the principal drivers for the growth of the country’s real estate industry, according to China Index Academy. The following table sets out the summary figures for China’s urbanization level and per capita disposable income of urban households as of and for the years ended December 31, 2008 to 2014.

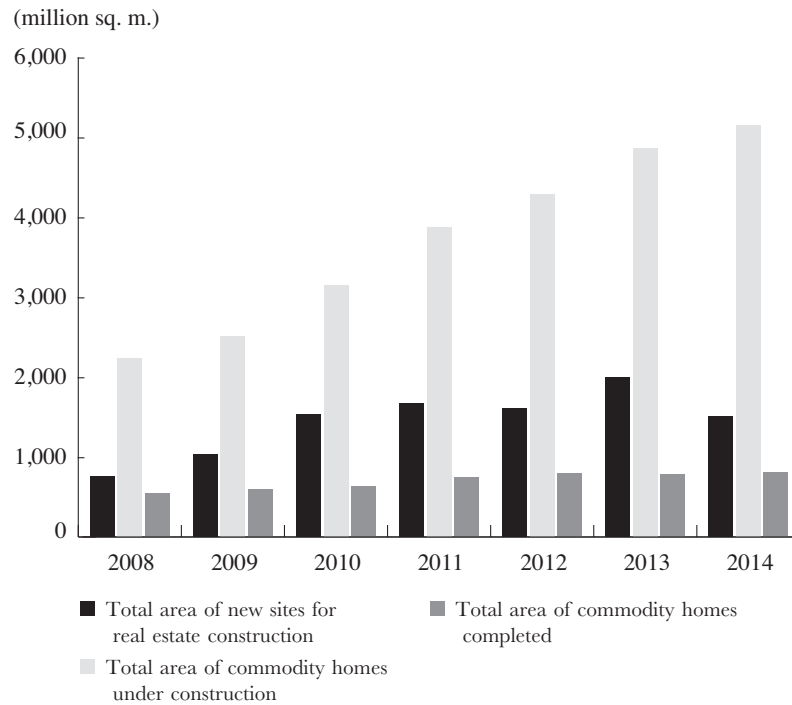
|                                 | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Urban population</b>         |             |             |             |             |             |             |             |
| (in million)                    | 624.0       | 645.1       | 669.8       | 690.8       | 711.8       | 731.1       | 749.2       |
| <b>Total population</b>         |             |             |             |             |             |             |             |
| (in million)                    | 1,328.0     | 1,334.5     | 1,340.9     | 1,347.4     | 1,354.0     | 1,360.7     | 1,367.8     |
| <b>Urbanization rate (%)</b>    | 47.0        | 48.3        | 49.9        | 51.3        | 52.6        | 53.7        | 54.8        |
| <b>Annual disposable income</b> |             |             |             |             |             |             |             |
| per capita of urban             |             |             |             |             |             |             |             |
| residents (in RMB)              | 15,781      | 17,175      | 19,109      | 21,810      | 24,565      | 26,955      | 28,844      |

*Source: National Bureau of Statistics of China*

### *Steady increase in new residential properties*

Following rapid urbanization and the continuous growth in per capita disposable income, the PRC government has increased land supply in recent years. The total area of new sites for real estate construction increased from approximately 752.2 million sq. m. in 2008 to approximately 1,510.0 million sq. m. in 2014, representing a CAGR of approximately 12.3%, according to China Index Academy. The total area of commodity homes (商品住宅) under construction for the same period increased from approximately 2,228.9 million sq. m. in 2008 to approximately 5,151.0 million sq. m. in 2014, representing a CAGR of approximately 15.0%. The total area of commodity homes completed for the same period also increased from approximately 543.3 million sq. m. in 2008 to approximately 808.7 million sq. m. in 2014, representing a CAGR of approximately 6.9%. The following chart sets forth the total area of new sites for real estate construction, total area of commodity homes under construction and total area of commodity homes completed from 2008 to 2014.

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*Source: National Bureau of Statistics of China; Ministry of Land and Resources*

Starting from the second half of 2014, the PRC government promulgated various stimulus policies to boost a slowing real estate market. In September 2014, the government announced preferential mortgage rates for purchasers of a second house, provided that their first house is free and clear of any mortgages. The government and authorities also decreed a business tax cut on the sales of residential properties. In addition, the People’s Bank of China lowered interest rates several times at the end of 2014 and beginning of 2015 to further support the real estate market.

### Trends in the China Property Management Industry

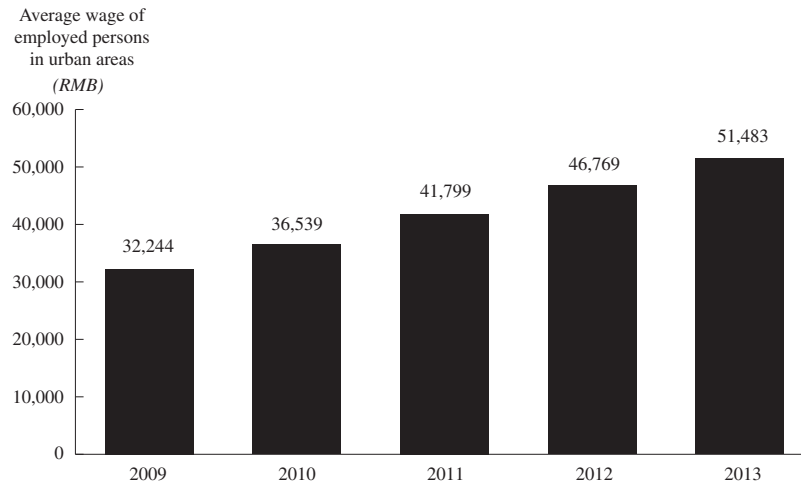
#### *Increasing focus on service quality and cost control*

There is no uniform standard governing the service quality of the property management industry in China, according to China Index Academy. As a result, the quality of services provided by different property management companies could vary significantly. As a result of rising labor costs, the service quality of some property management companies has deteriorated, resulting in lower customer satisfaction. Owners have higher expectations for property management services. The government is expected to implement measures to increase standardization of service quality, while property management companies will also focus and allocate their resources accordingly to achieve service quality standardization.

Since 2011, local governments in China have supported the improvement in the quality of property management services as an important policy objective. Property management companies in general have conducted internal evaluation and made improvement to their service quality in response to government policies with a considerable number of companies seeking improvement by outsourcing their operations,

## INDUSTRY OVERVIEW

according to China Index Academy. The top 100 property management companies have been increasing the level of their management specialization by sub-contracting labor-intensive functions to improve their service standards and lower operating costs, especially as labor costs continue to rise. The chart below sets forth the average wage of employed persons in urban areas for the years 2009 to 2013.



Source: National Bureau of Statistics of China

Investment in automation technologies by the top 100 property management companies continued to grow between 2009 and 2013. Increased automation in property management can reduce the level of labor intensity, elevate corporate management standards, effectively reduce labor costs, drive standardization in property management, improve service quality and enhance residents' satisfaction.

### *New opportunities in diversified services facilitated by the Internet and “big data”*

There is an increasing demand from residents for improvement in existing service quality and diversified services from property management companies, according to China Index Academy. Such demand, coupled with rising costs, has created increasing pressure on property management companies to adjust their traditional business model focus their resources and transform their business to sustain profit growth.

Property management companies are capitalizing the business opportunities associated with the demands of their residents. Driven by the need to identify new revenue sources, more property management companies have started to adjust their business models and pursue a service diversification strategy on the back of their primary property management service business, with a view to ensuring ongoing profit growth. Diversified services have enjoyed rapid development, having substantially outgrown the property service business for four years in a row and effectively serving as the primary driver for ongoing profitability of the top 100 property management companies, according to China Index Academy. Service diversification in the property management industry is facilitated by information technology and Internet. The robust development of the mobile Internet has also provided property management companies with innovative opportunities for development. Against the backdrop of big data, customer information has become the most valuable business resource. The emergence of the O2O platforms is a direct result of such trend.

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## INDUSTRY OVERVIEW

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### *Acquisition opportunities and sector consolidation*

According to China Index Academy, property management companies have been seeking access to new markets through mergers and acquisitions since 2012, to expand their businesses. There are generally three rationales of mergers and acquisitions by property management companies: (1) to achieve economies of scale through synergy between two companies; (2) to acquire a company in another region to enter into a new market; and (3) to acquire foreign companies to drive internationalization and gain access to the overseas market, as well as acquiring advanced knowledge in property management and enhancing management standards and core competitiveness.

This expansion effort has enabled property management companies to effectively develop new markets and broaden their geographic coverage with lower costs and within a shorter period of time. It has also increased the efficiency of resource utilization, resulting in improved allocation of market resources that in turn facilitates resource sharing and the formation of a stronger business partnership. However, there might be certain obstacles in the process of acquisition, such as valuation of the target, difficulties in the consolidation of human resources and corporate culture, and other issues. According to the projections by China Index Academy, merger and acquisition will be one of the most important channels for property management companies to achieve growth.

### **Competitive Landscape of the Property Management Industry in the PRC**

#### *Entry Barrier*

China Index Academy has concluded that this industry does not have a high entry barrier and competition is intense as a result. New entrants into the industry only need to meet certain qualification requirements under the laws and regulations of China, which mainly require a minimum registered capital and a minimum number of employees, among others.

#### *Competitive landscape*

We compete with our major industry rivals mainly on size, brand recognition, financial resources, pricing, service quality and other factors. As of December 31, 2013, there were approximately 20 property management companies with more than 20,000,000 sq. m. contracted GFA. The following table sets out our contracted GFA and our major competitors as of December 31, 2013 (generally independent property management companies, providing property management services for residential and commercial properties).

| <u>Company</u>              | <u>Total contracted GFA (sq. m.)</u> |
|-----------------------------|--------------------------------------|
| Company A                   | Over 50,000,000                      |
| Company B                   | Over 30,000,000                      |
| Company C                   | Over 30,000,000                      |
| Zhong Ao Home Group Limited | Over 25,000,000                      |

## INDUSTRY OVERVIEW

The table below sets out our average contracted GFA per property compared to our key competitors as of December 31, 2013.

| <b>Company</b>              | <b>Average contracted GFA (sq. m.)</b> |
|-----------------------------|--|
| Zhong Ao Home Group Limited | Over 200,000                           |
| Company A                   | Over 180,000                           |
| Company B                   | Over 160,000                           |
| Company C                   | Over 100,000                           |

As of December 31, 2013, we ranked third in terms of overall strength and claimed the largest contracted GFA per employee among independent property management companies, according to China Index Academy. As of December 31, 2013, we had 143 contracted properties, which was approximately 68% higher than the average of the top 100 property management companies. We are one of the industry leaders in terms of the total GFA of all properties under management, number of cities covered and the property management service fee rate. China Index Academy considers us as a leader in service quality and growth potential.

### CHINA RESIDENTIAL COMMUNITY O2O INDUSTRY

#### iResearch Consulting Group and Its Methodology

We acquired the right to use and quote various data from publications by iResearch Consulting Group at a total cost of approximately RMB0.70 million, among which, RMB0.50 million has been paid as of the Latest Practicable Date. Established in 2002 and with more than 400 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. Data related to the market size and forecast of Community O2O is mainly obtained through interviews related to the industry, marketing survey, secondary sources and other research methods, some of which have not been directly confirmed by the related operators. Some data published in this report is based on sampling method (through iClick, the online survey community of iResearch) and is therefore influenced by sample structure. Due to the limitation of research method, sample size and scope of data collection, part of the data may not precisely reflect actual market situation.

#### Overview of the China Residential Community O2O Industry

iResearch Consulting Group defined the residential community O2O industry as businesses whose transactions with their customers, involving some form of online elements or procedures, are for services or products that are enjoyed offline, generally with the products or services delivered directly to the residential community. For the purpose of this document, the scope of the residential community O2O industry does not include instances where services and products are enjoyed off the premise of the residential properties, such as making reservations online for services provided in the merchants' stores. The scope of O2O products and services typically includes takeout delivery, housekeeping services, home beauty treatments, laundry services and grocery delivery services.



## INDUSTRY OVERVIEW

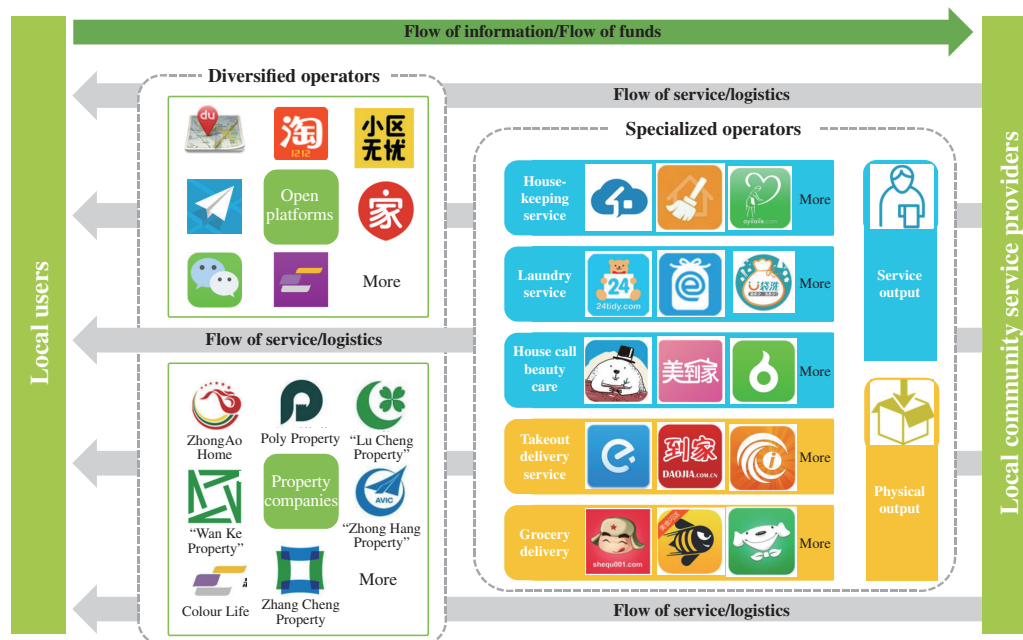
### *Development history*

In 2010, O2O takeout delivery platforms made their first appearance and started to spread to various residential communities. In 2011, O2O platform operators started to offer housekeeping services. Between 2012 and 2014, the residential community O2O industry underwent a wave of diversification in services, marking the first appearance of grocery delivery, laundry services and home beauty treatment services. At the same time, many major internet players entered into the O2O market, and various property management companies are also preparing themselves to make an entry into the residential community O2O market.

### *Industry ecosystem and operating models*

The following chart illustrates the relationships between different participants of the O2O ecosystem:

**Overview of the Residential Community O2O Ecosystem**



Source: iResearch Consulting Group

The residential community O2O businesses typically fall into four different business models differentiated along two dimensions: product/service range, and the revenue model. Diversified operators aggregate a broad range of products and services and serve as a diversified one-stop shop for residential communities, while specialized operators focus on a specific or a narrow set of products or services. In terms of the revenue model, product resellers or service providers deploy their own resources, such as customer service teams and physical commercial office space, to provide products and services, and generate revenue from the resale of products or provision of services. In contrast, the platform model serves as a marketplace for the local businesses and generates revenue through charging commissions on

## INDUSTRY OVERVIEW

the transactions and fees on the use of platform. With the number of customers reaching a critical mass, a platform operator can start generating revenue through advertisement. Property management companies generally adopt the diversified provider model.

### *Industry size*

In 2014, the size of the residential community O2O industry amounted to RMB2.0 billion, according to iResearch Consulting Group. The market grew at a CAGR of approximately 246.6% between 2012 and 2014, and is expected to grow at a CAGR of approximately 143.9% between 2014 and 2017 according to iResearch Consulting Group. The following chart sets forth the size of the residential community O2O market.



*Source: iResearch Consulting Group*

### **Key Strengths of Property Management Companies**

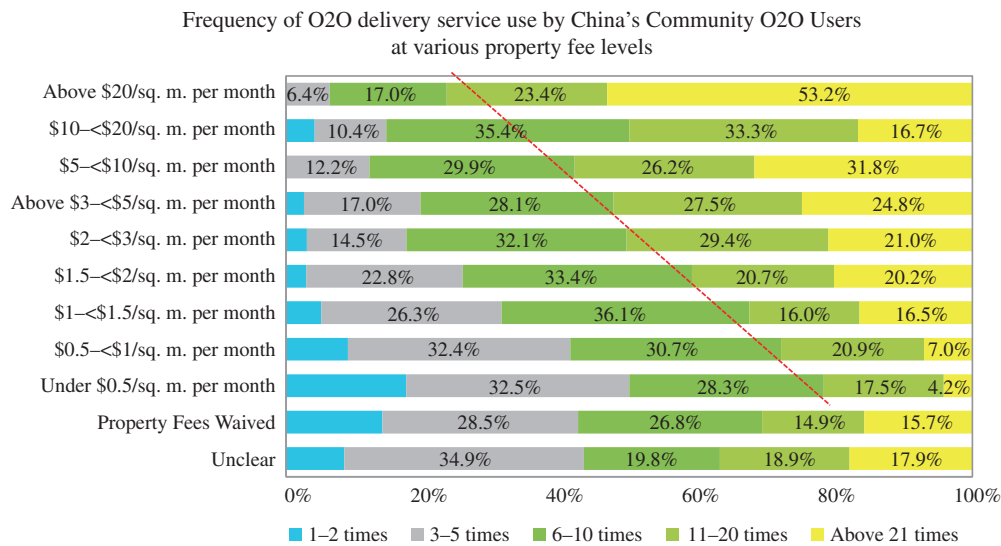
Property management companies have several key advantages over pure O2O platform players in developing residential community O2O business. These advantages include:

- access to comprehensive information on the residents;
- frequent contact and the relationships between the residents and the property management companies;
- control over common areas and the commercial units in the properties;
- offline access to the infrastructure of the properties for various purposes, such as locations for product storage and service provision; and
- on-the-ground staff to promote and develop the platform and provide or facilitate delivery of products and services.

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According to iResearch Consulting Group, with these advantages, property management companies operating their own residential community O2O platforms can achieve higher customer satisfaction, lower customer acquisition costs, higher purchase frequency, better quality control over products and services and lower costs of delivery.

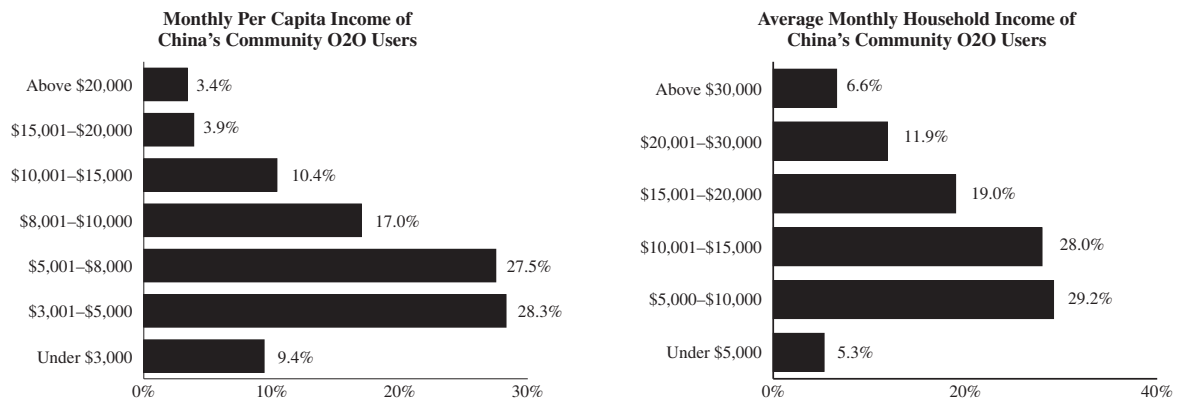
iResearch Consulting Group also concluded that strong branding confers advantages to compete in the O2O industry. Residential properties with mid to high-end property management prices have higher usage of O2O, which are typically managed by top property management companies with strong branding. Mid to high-end properties also have a broader range of services and facilities than properties in lower tiers. The chart below sets forth the frequency of the O2O delivery service use over a 12-month period broken down by the amount of property management fees paid by the users.



Source: iResearch Consulting Group

Note: Delivery services consist of takeout delivery and grocery delivery services.

The charts below set forth the breakdown of O2O users by monthly per capita income and the breakdown of O2O users by their average monthly household income.



Source: iResearch Consulting Group; survey conducted by iResearch Consulting Group in March 2015

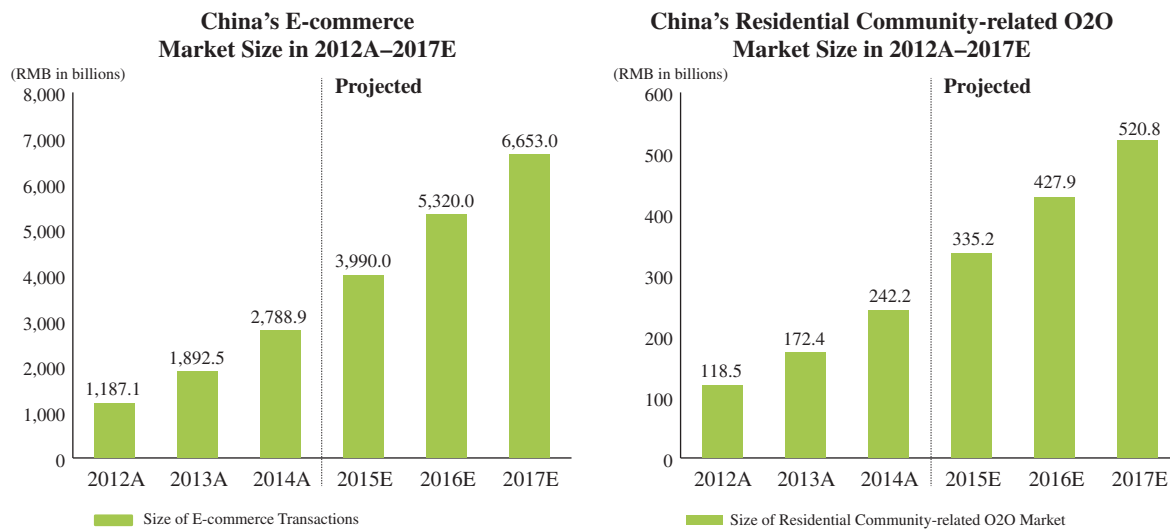
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Properties with higher average resident income are predominantly managed by leading property management companies. Moreover, leading property management companies also benefit from the economies of scale given their ability to secure contracts to manage multiple properties in the same area. For the foregoing reasons, leading property management companies are better-positioned to develop O2O platforms than pure O2O platform players.

### Growth Drivers of the Industry

#### *E-commerce growth*

Over the past decade, the e-commerce industry in the PRC has grown over RMB10 trillion with online product purchase accounting for RMB2.8 trillion in 2014. As internet usage increases and technology advances, service providers also started to sell services online, especially with the proliferation of O2O platforms. The O2O market size for residential community-related services was RMB242.2 billion in 2014, and is expected to grow to RMB520.8 billion by 2017, representing a CAGR of approximately 29%. The charts below set forth the growth of China’s e-commerce transactions and residential community-related services O2O market.



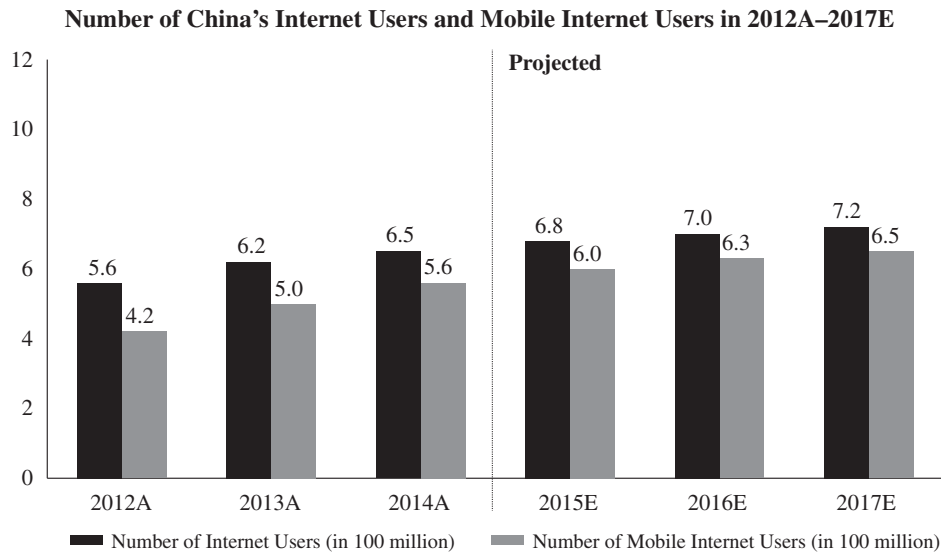
Source: iResearch Consulting Group

Note: Residential community-related services O2O market includes the O2O components of dining, wedding planning entertainment, child care, beauty treatment and hair care, and hospitality services.

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### *Higher penetration of internet*

According to iResearch Consulting Group, internet users in the PRC as of December 31, 2014 have reached approximately 650 million people, while mobile internet users have reached approximately 560 million people, representing a penetration rate of over 86%. The rapid increase in the number of mobile internet users provides a strong foundation for the growth of the O2O industry. iResearch Consulting Group found that the monthly usage hours of mobile apps have overtaken the usage hours of personal computers since April 2014. With a widening gap, the monthly total usage of mobile has grown to 12.5 billion hours compared to 10.5 billion hours for personal computer usage by December 2014. The chart below sets forth the number of internet users and mobile internet users.



*Source: China Internet Network Information Center; iResearch Consulting Group*

### *High growth in residential community-related services*

The residential community-related services sector in China grew rapidly between 2012 and 2013 with the laundry services industry growing at 16.7% and residential cleaning (housekeeping) services industry at 20.0%, according to iResearch Consulting Group. The growth in the services sector is partly attributable to the policy support by the PRC government in the “Twelfth Five Year Plan from 2011 to 2015” published by the MIIT. iResearch Consulting Group concluded that the residential community-related services sector still has significant growth potential in the future.

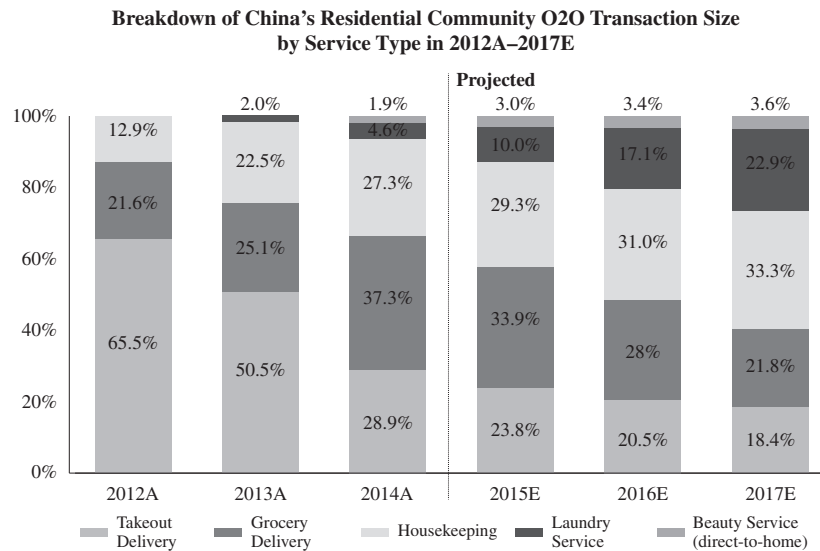
## INDUSTRY OVERVIEW

### Trends of the Industry

#### *Expanding product range and diversified services*

O2O players are aiming to extend their service and product range and service channels. The extended service and product range would include services and products from local merchants around serviced properties, especially services and products characterized by a high purchase frequency and low prices. In addition, various innovative value-added services, such as leasing, commercial space sharing and community social networking, will start emerging in the O2O industry.

The market is experiencing a shift towards new types of services, such as housekeeping services and grocery delivery services. According to iResearch Consulting Group, grocery delivery services grew at much faster rates than takeout delivery and by 2014, grocery delivery services have become the largest category in the residential community O2O market, accounting for 37.3% of the market. The chart below sets forth a detailed breakdown of O2O transactions by service type.

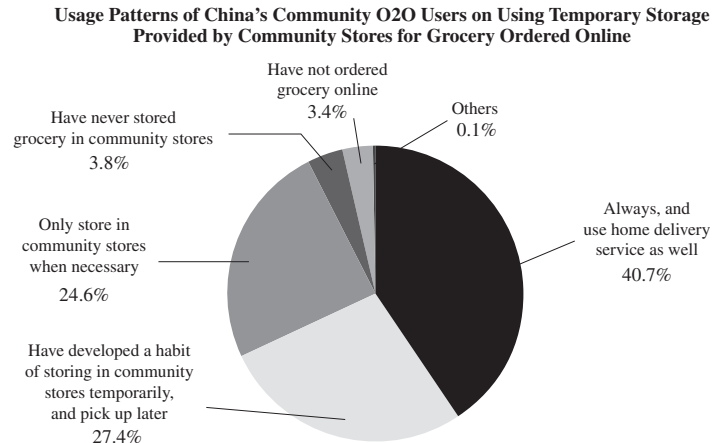


Source: iResearch Consulting Group

## INDUSTRY OVERVIEW

### Greater importance of "last-mile" presence

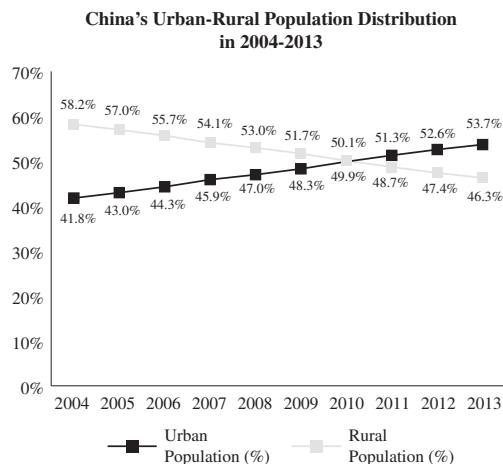
Last-mile delivery still poses a barrier to the O2O industry. The industry is witnessing innovative solutions to the last-mile delivery barrier, such as a centralized location or store within a residential community for product pickups. Players who are able to improve the cost-effectiveness of last-mile delivery would be able to expand their range of services and products and increase their profit potential. The ability to provide last-mile delivery can serve as a key competitive advantage in the O2O industry. The chart below sets forth the usage patterns of O2O users in relation to using centralized community stores as temporary storage for grocery ordered online.



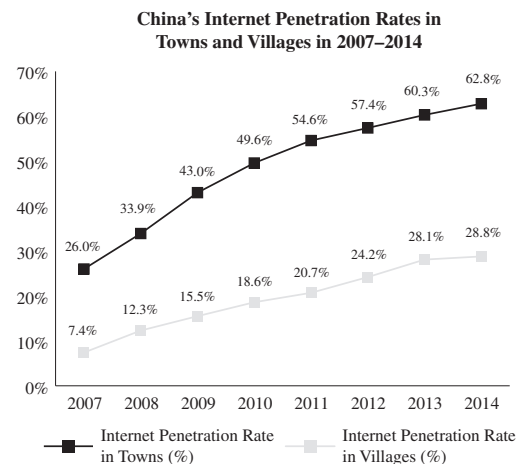
Source: iResearch Consulting Group; survey conducted by iResearch Consulting Group in March 2015

### Greater penetration into second-tier and third-tier cities

iResearch Consulting Group concluded that the O2O platform penetration rate in these cities would increase as internet access becomes more widespread. This is primarily attributable to the increase in the wealth of the population in second-tier and third-tier cities. The charts below set forth the population distribution in urban and rural areas and the internet penetration rates across towns and villages.



Source: National Bureau of Statistics of China



Source: China Internet Network Information Center

## **INDUSTRY OVERVIEW**

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### **Competitive Landscape of the Residential Community O2O Industry in the PRC**

Residential community O2O is in an early stage of development. The market is highly fragmented and competitive with a wide variety of O2O platforms, which shows that the industry lacks unifying standards and sufficient education of the market. As such, there is no clear market leader or leading standards yet. In the growth phase of the industry, property management companies are well-positioned to compete against pure O2O players. See the subsection headed “— Key Strengths of Property Management Companies.”

### **CONFIRMATION FROM OUR DIRECTORS**

As of the Latest Practicable Date, after taking reasonable steps, 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 in this document.



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## REGULATIONS

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Our business operations are subject to extensive supervision and regulation from the PRC government. This section sets out a summary of the main laws, regulations and policies with which we must comply.

### FOREIGN INVESTMENT GUIDANCE

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, 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 in March, 2015 and came into effect on April 10, 2015, the property management industry, the real estate agent and the online sales falls into the category of industries in which foreign investment is permitted while the commercial internet information service fall into the category of industries in which foreign investment is restricted.

### LEGAL REGULATIONS OVER THE PROPERTY MANAGEMENT SECTOR IN THE PRC

#### 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

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## REGULATIONS

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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.

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.

### **The Qualification of Personnel Engage in Property Management**

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, personnel which engage in property management shall obtain the relevant professional license pursuant to relevant national regulations. However there are different local interpretation of the relevant professional license for personnel engage in property management.

Pursuant to Interim Provisions on the Certified Property Manager System (物業管理師制度暫行規定), which took effect from November 16, 2005, the professional manager engages in real property management work. shall pass the national uniform examination, obtain the "Certified Property Manager's Qualification Certificate of the People's Republic of China" (hereinafter referred to as "Qualification Certificate"), and the "Certified Property Manager's Registration Certificate of the People's Republic of China" after lawful registration (hereinafter referred to as "Registration Certificate"). However, according to Decision of the State Council on Issues concerning Cancelling and Adjusting a Batch of Administrative Examination and Approval Items (國務院關於取消和調整一批行政審批項目等事項的決定) (Guo Fa (2015) No. 11), which took effect from February, 2015, the system of registration of certified property manager has been cancelled and no Registration Certificate is required for managers engaged in the business of property management.

According to the Notice on Issues about the standards of personnel certificate in the Qualification License Practice of Property Management Enterprise (關於物業服務企業資質許可中人員崗位證書標準等有關問題的通知) (Yue Jian Fang Han (2010) No.700) promulgated by The Housing and Construction Department of Guangdong Province (廣東省住房和城鄉建設廳), which took effect from December 24, 2010, "personnel which engage in property management shall obtain the relevant professional license" means the managers of the property management services shall obtain the "Certified Property Manager's

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Qualification Certificate of the People's Republic of China" which is issued by the Ministry of Personnel and the Ministry of Construction, or the property management enterprise manager certificate, the property management department manager certificate, the property management project manager certificate which are issued by the Construction Ministry or its counterpart in Guangdong Province, or the property management administer post certificate issued by the property management industry association of Guangdong Province (廣東省物業管理協會). Pursuant to regulatory documents issued by the Housing and Urban-Rural Department of the PRC on January 26, 2011, the requirement for property management enterprise manager, department manager and project manager to be trained and certified has been cancelled.

### **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 (《物業管理條例》), 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 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

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bidder 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.

### **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 sanitation and public 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 government guidance prices or market-regulated prices in accordance with the different 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

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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.

If property management enterprises fail to 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.

### **Regulations on Parking Service Fees**

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 shall be adopted with market access and exit standards and 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.

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

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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.

Pursuant to the Administrative Measures for Commodity Housing Tenancy (商品房租賃管理辦法), The parties concerned to a housing tenancy shall go through the housing tenancy registration formalities with the competent construction (real estate) departments of the municipalities directly under the Central Government, cities and counties where the housing is located within 30 days after the housing tenancy contract is signed. The competent construction (real estate) departments of the people's governments of the municipalities directly under the Central Government, cities and counties shall urge those who violate such regulations hereof to make corrections within a specified time limit, and shall impose a fine below RMB1,000 on individuals who fail to make corrections within the specified time limit, and a fine between RMB1,000 and RMB10,000 on units which fail to make corrections within the specified time limit.

### REGULATIONS 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.

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 retrofitting 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

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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.

### REGULATIONS 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.

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 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

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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.

## **LEGAL REGULATIONS OVER INTELLECTUAL PROPERTY IN THE PRC**

### **Copyright**

Pursuant to the Copyright Law of the PRC (中華人民共和國著作權法) (the "**Copyright Law**"), which was amended in 2010 and with effect from April 1, 2010. Copyrights include personal rights such as the right of publication and that of attribution as well as property rights such as the right of production and that of distribution. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the Copyright Law, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, take remedial action, and offer an apology, pay damages, etc.



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### Trademark

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

### Patent

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

### Domain Name

Pursuant to the Measures for the Administration of Internet Domain Names of China (中國互聯網域名管理辦法), which was promulgated on November 5, 2004 and with effect from December 20, 2004, "domain name" shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol address of that computer. And the principle of "first come, first serve" is followed for the domain name registration service. After completing the domain name registration, the applicant becomes the holder of the domain name registered by him/it. Furthermore, the holder shall pay operation fees for registered domain names on schedule. If the domain name holder fails to pay the corresponding fees as required, the original domain name registrar shall write it off and notify the holder of the domain name in written form.

## LEGAL REGULATIONS 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

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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 Provisions on Labor Dispatch (勞務派遣暫行規定), which was promulgated on January 24, 2014 and took effect from March 1, 2014, employers may use dispatched laborers only for temporary, auxiliary or substitutable positions. And the employer shall strictly control the number of dispatched laborers which shall not exceed 10% of the total number of its workers. For the purpose of the preceding paragraph, the total number of workers shall mean the aggregate of the number of laborers who have signed labor contracts with the employer and the number of dispatched laborers used by the employer. Where the number of dispatched laborers used by an employer uses prior to the implementation of these provisions exceeds 10% of its total number of workers, the employer shall make a plan for the adjustment of such labor using, and reduce the said percentage to the required proportion within two years from the date of implementation hereof the Interim Provisions on Labor Dispatch. The employer shall not use any additional dispatched laborers until it reduces the number of dispatched laborers used by it prior to the implementation hereof to the required proportion.

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

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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.

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.

## TAX REGULATIONS

### Income Tax

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the "EIT Law"), which was promulgated on March 16, 2007 and with effect from January 1, 2008, and the Implementation Rules to the EIT Law (中華人民共和國企業所得稅法實施條例) (the "Implementation Rules"), which was promulgated on December 6, 2007 and with effect from January 1, 2008 by the State Council, enterprises are categorized into resident enterprises and non-resident enterprises. A resident enterprise shall pay enterprise income tax on its income deriving from both inside and outside China at the rate of enterprise income tax of 25%. A non-resident enterprise that has an establishment or place of business in the PRC shall pay enterprise income tax on its income deriving from inside China and obtained by such establishment or place of business, and on its income which derives from outside China but has actual relationship with such establishment or place of business, at the rate of enterprise income tax of 25%. A non-resident enterprise that does not have an establishment or place of business in China, or has an establishment or place of business in China but the income has no actual relationship with such establishment or place of business, shall pay enterprise income tax on its income deriving from inside China at the reduced rate of enterprise income tax of 10%.

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### Income Tax In Relation To Dividend Distribution

The PRC and the government of Hong Kong entered into the Arrangement between the Mainland of the PRC and Hong Kong 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稅避免雙重徵稅和防止偷漏稅的安排) (the “**Arrangement**”) on August 21, 2006. According to the Arrangement, the withholding tax rate 5% applies to dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interests in the PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests in the PRC company.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知) promulgated by the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局) (the “**State Administration of Taxation**”) became effective on February 2, 2009, all of the following requirements shall be satisfied where a fiscal resident of the other party to a tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner’s equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reach a percentage specified in the tax agreement.

Pursuant to the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial) (非居民享受稅收協定待遇管理辦法(試行)) (the “**Administrative Measures**”), which came into force on October 1, 2009, where a non-resident enterprise (as defined under the PRC tax laws) that receives dividends from a PRC resident enterprise wishes to enjoy the favorable tax benefits under the tax arrangements, it shall submit an application for approval to the competent tax authority. Without being approved, the non-resident enterprise may not enjoy the favorable tax treatments provided in the tax agreements. Pursuant to the Circular on Individual Income Tax After the Repeal of the Guo Shui Fa (1993) No. 45, domestic non-foreign-invested enterprises listed in Hong Kong may, when distributing dividends and extra bonus, generally withhold individual income tax at the rate of 10%, and non-resident individual shareholders are not obligated to file an application.

### Business Tax

According to the Temporary Regulations on 《營業稅暫行條例》 Business Tax (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.

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## REGULATIONS

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### 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.

### REGULATIONS ON FOREIGN EXCHANGE IN THE PRC

The principal regulation governing foreign currency exchange in China is the Foreign Exchange Administration Rules of the PRC (《中華人民共和國外匯管理條例》) (the “**Foreign Exchange Administration Rules**”). There were promulgated by the State Council of the PRC on January 29, 1996 and with effect from April 1, 1996 and were amended on January 14, 1997 and August 1 2008. Under these rules, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans unless the prior approval by the competent authorities for the administration of foreign exchange is obtained.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain evidencing documents (including board resolutions and tax certificates), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approved by SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment and trading in securities, derivative products abroad are subject to registration with the competent authorities for the administration of foreign exchange and approval or filings with the relevant governmental authorities (if necessary).

According to the Circular on the Management of Offshore Investment and Financing and Round Trip Investment By Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (Hui Fa [2014] 37) (“**the Circular No. 37**”), which is promulgated on July 14, 2014 and with effect from the same day, before a domestic resident contributes its legally owned onshore or offshore assets and equity into an SPV, the domestic resident

## REGULATIONS

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shall conduct foreign exchange registration for offshore investment with the local branch of the SAFE, and in the event of change of basic information such as the individual shareholder, name, operation term, etc, or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete foreign exchange alteration registration formality for offshore investment. The SPV is defined as “offshore enterprise directly established or indirectly controlled by the domestic resident (including domestic institution and individual resident) with their legally owned assets and equity of the domestic enterprise, or legally owned offshore assets or equity, for the purpose of investment and financing”; “Round Trip Investments” refers to “the direct investment activities carried out by a domestic resident directly or indirectly via an SPV, i.e., establishing a foreign-invested enterprise or project within the PRC through a new entity, merger or acquisition and other ways, while obtaining ownership, control, operation and management and other rights and interests.” In addition, according to the procedural guidelines as attached to the Circular No. 37, the principle of review has been changed to “the domestic individual resident is only required to register the SPV directly established or controlled (first level).”

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### OVERVIEW OF HISTORY

We are a leading independent property management company in China based on the total contracted GFA as of December 31, 2013, according to China Index Academy.

The history of our Group can be traced back to September 2005 when Mr. Liu and Ms. Chen, founders of our Group, started a property management business named Zhong Ao Property using their own financial resources, leveraging their respective prior experience in the industry. In order to facilitate the expansion of our business, Mr. Liang and Mr. Long were invited to join our core management team in September 2005 and June 2008, respectively, and later became substantial shareholders of Zhong Ao Property in November 2011. For detailed biography of Mr. Liu, Ms. Chen, Mr. Liang and Mr. Long, please refer to the section headed “Directors, Senior Management and Employees” in this document.

Zhong Ao Property, our key operating subsidiary of property management business, has been organically expanding its operations in different regions in the PRC since its establishment, either by establishing branch offices in major cities in Guangdong and other provinces of the PRC or through acquisitions of regional property management companies. In addition, Zhong Ao Property made acquisitions of equity interest in Hangzhou Lvdu, Ningbo Disai and Hangzhou Huachang in 2009 and 2012. As of December 31, 2014, our property management business covered 27 cities in the PRC and we provided our services to over 149 properties, through Zhong Ao Property and its branch offices and subsidiaries. For further information of the regions where we conducted our operation and the communities we managed, please refer to the section headed “Our Business — Our Competitive Strengths.”

In order to establish our O2O platform, Guangzhou Daojia, Guangzhou Maiyue and Hangzhou Yidao were established in March 2013, September 2014 and February 2015, respectively. In our senior management team, we have management personnel with extensive experience in e-commerce operations who are responsible for the development and operation of our O2O platform and are led by Mr. Luo Tao (羅濤). Mr. Wei Zhe (衛哲), our non-executive Director, (who is the former chief executive officer of Alibaba.com Limited) also acts as a consultant on the development of our O2O platform and participates in the strategic planning of our O2O business line. For details of Mr. Luo Tao (羅濤) and Mr. Wei Zhe’s (衛哲) biographies, please refer to the section headed “Directors, Senior Management and Employees” in this document.

The following table outlines our key business development milestones.

| <b>Year</b> | <b>Events</b>  |
|-------------|--|
| 2005        | Zhong Ao Property was established and commenced its operations on September 26, 2005 in Guangzhou, the PRC.    |
| 2006        | Zhong Ao Property started expansion of its business by establishing branch offices outside Guangzhou, the PRC. |

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

| Year | Events  |
|------|---|
|      | Zhong Ao Property was recognized as “Top 100 China Overall Strength Enterprise (中國綜合實力百強企業)” and “China Most Trusted Brand Enterprise (中國最佳誠信品牌企業)” by the Chinese Property Management Enterprises Promotion Association (中國物業管理企業促進會), the Association of Chinese Property Developers (中國房地產開發商協會), the organizing committee of the China Property Annual Meeting (中國房地產年會組織委員會) and the organizing committee of the China Property Management Summit (中國物業管理高峰論壇組織委員會). |
| 2007 | We developed the butler services as a mid-to-high end segment of our property management services. Zhong Ao Property was recognized as “Guangzhou Top 10 Property Management Brand Trusted by Property Owners (廣州最受業主信賴十大物業管理品牌)” by the Most Popular Property Management Companies in China according to the organizing committee for the Fourth Competition (第四屆中國物業人氣榜組委會).  |
| 2008 | Zhong Ao Property was granted the Qualification Certificate of First Grade (一級資質證書) in property services by the MOHURD (中華人民共和國住房和城鄉建設部).   |
| 2009 | Zhong Ao Property was certified under ISO9001 and ISO14001 respectively for the quality and environmental management in its property management operation, and was certified under OHSAS18001 for the occupational health and safety management in its property management operation.   |
| 2011 | Zhong Ao Property launched the cooperation program of “Zhong Ao Property Management Academy, Guangdong Polytechnic Institute (廣東理工職業學院中奧物業管理學院)” with Guangdong Polytechnic Institute (廣東理工職業學院).   |
|      | Zhong Ao Property was ranked 24th among the “30th Anniversary of Reform and Development of Property Management Top 100 Overall Strength Enterprises (物業管理改革發展三十週年綜合實力百強企業)” by China Property Management Institute (中國物業管理協會).  |
| 2012 | Zhong Ao Property was ranked 15th among the “Top 100 China Property Management Enterprise (中國物業服務百強企業)” by China Real Estate Top 10 Research (中國房地產Top 10研究組).  |
| 2013 | Zhong Ao Property was ranked 4th in terms of Management Scale on “Top 100 Property Management Companies (管理規模Top 100企業排名第4位)” and 10th in terms of Overall Strength on “Top 200 Property Management Companies (管理綜合實力Top 200企業排名第10位)” by China Property Management Institute (中國物業管理協會).   |
| 2014 | Zhong Ao Property was ranked 9th among the “Top 100 China Property Management Enterprise in Terms of Satisfaction (中國物業服務百強滿意度領先企業)” by China Real Estate Top 10 Research Team (中國房地產Top 10研究組).  |



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

| Year | Events  |
|------|---|
| 2015 | <p>Zhong Ao Property entered into the share purchase agreements with the [REDACTED] Investors in relation to their investments in our Company of an aggregate amount of US\$32,000,000.</p> <p>Zhong Ao Property entered into the Strategic Cooperation Agreement with Hengji, a [REDACTED] Investor.</p> <p>In March 2015, we developed our first O2O mobile application “Linli Life (鄰里生活)” to provide basic information services for the managed properties in Guangzhou.</p> <p>In June 2015, we further developed our second O2O mobile application “Aidaojia (愛到家)” to expand our lifestyle services by our butlers at selected properties in Hangzhou that are managed by us in June 2015.</p> |

### CORPORATE DEVELOPMENT

We summarize below our subsidiaries for each of our business lines.

| Name of subsidiary                          | Date and place of incorporation | Details of acquisition/establishment                               | Reference  |
|---|---------------------------------|--|--|
| <b>PRC Holding Companies</b>                |                                 |  |  |
| <i>Property management related services</i> |                                 |  |  |
| Guangzhou Xuji                              | March 23, 2015, the PRC         | Establishment of Guangzhou Xuji by Zhong Ao HK on March 23, 2015.  | Please refer to the section headed “ — Reorganization — Establishment of Guangzhou Suiya and Guangzhou Xuji” |
| <i>O2O platform</i>                         |                                 |  |  |
| Guangzhou Suiya                             | March 31, 2015, the PRC         | Establishment of Guangzhou Suiya by Zhong Ao HK on March 31, 2015. | Please refer to the section headed “ — Reorganization — Establishment of Guangzhou Suiya and Guangzhou Xuji” |

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

| Name of subsidiary                          | Date and place of incorporation | Details of acquisition/establishment   | Reference  |
|---|---------------------------------|--|--|
| <b>Operating Subsidiaries</b>               |                                 |  |  |
| <i>Property management related services</i> |                                 |  |  |
| Zhong Ao Property                           | September 26, 2005, the PRC     | Establishment of Zhong Ao Property by Mr. Liu and Ms. Chen on September 26, 2005.  | Please refer to the section headed “— Property management related services — Zhong Ao Property”        |
| Hangzhou Lvdu                               | March 21, 2006, the PRC         | Acquisition of Hangzhou Lvdu by Zhong Ao Property on December 27, 2012.  | Please refer to the section headed “— Property management related services — Hangzhou Lvdu”            |
| Guangzhou Baijin Guanxia                    | March 2, 2009, the PRC          | Acquisition of Guangzhou Baijin Guanxia by Zhong Ao Property on June 5, 2012.  | Please refer to the section headed “— Property management related services — Guangzhou Baijin Guanxia” |
| Ningbo Disai                                | July 23, 2009, the PRC          | Acquisition of 50% and 10% equity interest in Ningbo Disai by Zhong Ao Property on July 4, 2014 and October 9, 2014, respectively.   | Please refer to the section headed “— Property management related services — Ningbo Disai”             |
| Hangzhou Huachang                           | February 20, 2012, the PRC      | Acquisition of Hangzhou Huachang by Zhong Ao Property on August 12, 2013.  | Please refer to the section headed “— Property management related services — Hangzhou Huachang”        |
| <i>O2O Platform</i>                         |                                 |  |  |
| Guangzhou Daojia                            | March 14, 2014, the PRC         | Establishment of Guangzhou Daojia by Zhong Ao Property, which held 60% of equity interest in Guangzhou Daojia on March 14, 2014 and subsequently 75% of equity interest on December 9, 2014. | Please refer to the section headed “— O2O platform — Guangzhou Daojia”                                 |

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

| <u>Name of subsidiary</u> | <u>Date and place of incorporation</u> | <u>Details of acquisition/establishment</u>  | <u>Reference</u>   |
|---------------------------|--|--|--|
| Hangzhou Yidao            | February 3, 2015, the PRC              | Establishment of Hangzhou Yidao by Zhong Ao Property on February 3, 2015.  | Please refer to the section headed “— O2O platform — Hangzhou Yidao”   |
| Guangzhou Maiyue          | September 26, 2014, the PRC            | Entering into the Structure Contracts by Guangzhou Suiya with Guangzhou Maiyue and its shareholders on April 15, 2015. | Please refer to the section headed “— O2O platform — Guangzhou Maiyue” |

As part of our corporate development, we established and acquired our subsidiaries through the following steps:

### Property Management Related Services

#### *Zhong Ao Property*

Zhong Ao Property is principally engaged in property management services and was established in Guangzhou, the PRC on September 26, 2005 with an initial registered capital of RMB500,000. As of the date of establishment, Zhong Ao Property was owned as to 80% by Mr. Liu and 20% by Ms. Chen.

The registered capital of Zhong Ao Property was increased from RMB500,000 to RMB5,100,000 on November 23, 2005, and further to RMB10,000,000 on August 6, 2007, under which Zhong Ao Property remained owned by Mr. Liu and Ms. Chen as to 80% and 20% respectively.

On November 8, 2011, Mr. Liu entered into an equity transfer agreement with Mr. Liang pursuant to which Mr. Liu agreed to transfer 20% equity interest in Zhong Ao Property to Mr. Liang for a consideration of RMB2,000,000.

On November 8, 2011, Mr. Liu entered into an equity transfer agreement with Mr. Long pursuant to which Mr. Liu agreed to transfer 20% equity interest in Zhong Ao Property to Mr. Long for a consideration of RMB2,000,000.

The consideration of such transfers of equity interest from Mr. Liu to each of Mr. Liang and Mr. Long was determined based on negotiations between the parties and represented the amount of capital contribution attributed to the transferred equity interest. On November 29, 2011, an updated business license reflecting such transfer was granted by the relevant PRC authority. Upon completion of such transfer, Zhong Ao Property was owned as to 40% by Mr. Liu, as to 20% by Ms. Chen, as to 20% by Mr. Liang and as to 20% by Mr. Long respectively.

On March 31, 2012, Ms. Chen entered into an agreement of trust in equity interest with her father, Mr. Chen Xinghua (陳興華), pursuant to which Mr. Chen Xinghua agreed to hold Ms. Chen’s 20% equity interest in Zhong Ao Property on trust for Ms. Chen and further agreed to act as a nominee shareholder under instructions from Ms. Chen from time to time and procure such equity interest to be transferred to and registered under the name of Ms. Chen upon her instruction. Pursuant to the

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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agreement, Ms. Chen transferred her 20% equity interest in Zhong Ao Property to Mr. Chen Xinghua on March 31, 2012. During Reorganization, Mr. Chen Xinghua transferred such equity interest in Zhong Ao Property back to Ms. Chen on November 19, 2014 according to Ms. Chen's instruction under the trust arrangements.

### *Branch offices of Zhong Ao Property*

In order to facilitate the development of its operation vastly in different regions in the PRC, Zhong Ao Property has established 49 branch offices in the PRC as of the Latest Practicable Date. For details of the locations where our operation is conducted through Zhong Ao Property and its branch offices, please refer to the section headed "Our Business — Our business — Our geographic presence."

### *Hangzhou Lvdu*

Hangzhou Lvdu is principally engaged in property management and was established by Zhejiang Lvdu Property Development Company Limited (浙江綠都房地產開發有限公司) ("**Lvdu Property**"), an Independent Third Party, in Hangzhou, the PRC on March 21, 2006 with an initial registered capital of RMB500,000. The registered capital of Hangzhou Lvdu was increased to RMB2,500,000 on April 28, 2011.

On August 1, 2012, Zhong Ao Property acquired the entire equity interest in Hangzhou Lvdu from Lvdu Property, for a consideration of RMB1, which was determined based on arm's length negotiation between the parties with reference to the net asset value of Hangzhou Lvdu. Upon completion of such transfer, Hangzhou Lvdu became a wholly-owned subsidiary of Zhong Ao Property.

### *Hangzhou Huachang*

Hangzhou Huachang is principally engaged in property management and was established by two individual Independent Third Parties, in Hangzhou, the PRC on February 20, 2012 with an initial registered capital of RMB1,000,000. On August 1, 2013, Zhong Ao Property acquired the entire equity interest in Hangzhou Huachang from such Independent Third Parties at a total consideration of RMB1,000,000, which was determined based on arm's length negotiation between the parties and equivalent to the then registered capital of Hangzhou Huachang. Upon completion of such transfers, Hangzhou Huachang became a wholly-owned subsidiary of Zhong Ao Property.

Hangzhou Huachang established a branch office in Haining, the PRC on June 5, 2013.

### *Guangzhou Baijin Guanjia*

Guangzhou Baijin Guanjia is principally engaged in the provision of consulting services to property developers and property management companies and was established in Guangzhou, the PRC on March 2, 2009 with an initial registered capital of RMB5,000,000.

Guangzhou Baijin Guanjia had been beneficially owned as to 40% by Mr. Liu, 20% by Ms. Chen, 20% by Mr. Liang and 20% by Mr. Long respectively, since its establishment and until June 1, 2012, when Zhong Ao Property acquired the entire equity interest in Guangzhou Baijin Guanjia at an aggregate consideration of RMB5,000,000, which was equivalent to the then registered capital of

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Guangzhou Baijin Guanxia. On June 5, 2012 an updated business license reflecting such acquisition was granted by the relevant PRC authority. Upon completion of such transfer, Guangzhou Baijin Guanxia became a wholly-owned subsidiary of Zhong Ao Property.

### *Ningbo Disai*

Ningbo Disai is principally engaged in hotel property management and was established by Ningbo Disai Property Investment Consultation Company Limited (寧波市迪賽房地產投資諮詢有限公司), an Independent Third Party, in Ningbo, the PRC on July 23, 2009 with an initial registered capital of RMB1,500,000.

Since the date of its establishment, Ningbo Disai has undertaken a series of equity transfers after which Ningbo Disai was then owned as to 50% by Ningbo Disai Holding Group Limited (寧波市迪賽控股集團有限公司) (“**Disai Holding**”) and 50% by Ningbo Bailong Property Company Limited (寧波百隆房地產有限公司) (“**Ningbo Bailong**”). Both of Disai Holding and Ningbo Bailong are Independent Third Parties.

On July 4, 2014, Zhong Ao Property entered into an equity transfer agreement with Ningbo Bailong, pursuant to which Zhong Ao Property acquired the 50% equity interest in Ningbo Disai from Ningbo Bailong, for a consideration of RMB750,000, which was determined based on arm’s length negotiation between the parties and equivalent to the then registered capital of Ningbo Disai. On July 4, 2014, an updated business license reflecting such acquisition was granted by the relevant PRC authority. Upon completion of such transfer, Ningbo Disai was owned as to 50% by Zhong Ao Property and 50% by Disai Holding.

On September 18, 2014, Zhong Ao Property entered into an equity transfer agreement with Disai Holding, pursuant to which Zhong Ao Property acquired the 10% equity interest in Ningbo Disai from Disai Holding, for a consideration of RMB150,000, which was determined based on arm’s length negotiation between the parties and equivalent to the then registered capital of Ningbo Disai. On October 9, 2014, an updated business license reflecting such acquisition was granted by the relevant PRC authority. Upon completion of such transfer, Ningbo Disai was owned as to 60% by Zhong Ao Property and 40% by Disai Holding.

### **O2O Platform**

#### *Guangzhou Daojia*

Guangzhou Daojia is principally engaged in the provision of software and information technology services and was established by Zhong Ao Property, Guangzhou Jiusheng Computer Software Company Limited (廣州久盛電腦軟體有限公司) (“**Jiusheng**”) and Jinguo Innovation (Beijing) Technology Company Limited (金果創新(北京)科技有限公司) (“**Jinguo**”), the latter two parties being Independent Third Parties, in Guangzhou, the PRC on March 14, 2014 with an initial registered capital of RMB1,000,000. As of the date of establishment, Guangzhou Daojia was owned as to 60% by Zhong Ao Property, 20% by Jiusheng and 20% by Jinguo.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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In 2014, Guangzhou Daojia underwent a series of restructuring as agreed among its shareholders, through which Jinguo exited from investment in Guangzhou Daojia and the shareholding in Guangzhou Daojia owned by Zhong Ao Property and Jiusheng were adjusted to 75% and 25% respectively. Details of such restructuring are as follows:

- (i) On October 13, 2014, Zhong Ao Property entered into an equity transfer agreement with Jinguo, pursuant to which Zhong Ao Property acquired the 20% equity interest in Guangzhou Daojia from Jinguo, for a consideration of RMB300,000, which was determined based on arm's length negotiation between the parties. On November 17, 2014, the registration of changes in ownership of Guangzhou Daojia reflecting such acquisition filed with the relevant PRC authority was completed. Upon completion of such transfer, Guangzhou Daojia was owned as to 80% by Zhong Ao Property and 20% by Jiusheng; and
- (ii) On November 29, 2014, Zhong Ao Property entered into an equity transfer agreement with Jiusheng, pursuant to which Jiusheng acquired 5% equity interest in Guangzhou Daojia from Zhong Ao Property, for a consideration of RMB19,264, which was determined based on arm's length negotiation between the parties. On December 9, 2014, the registration of changes in ownership of Guangzhou Daojia reflecting such acquisition filed with the relevant PRC authority was completed. Upon completion of such transfer, Guangzhou Daojia was owned as to 75% by Zhong Ao Property and as to 25% by Jiusheng.

### *Hangzhou Yidao*

Hangzhou Yidao is principally engaged in the provision of software and information technology services and was established by Zhong Ao Property in Hangzhou, the PRC on February 3, 2015 with an initial registered capital of RMB1,000,000. As of the date of establishment and the Latest Practicable Date, Hangzhou Yidao was wholly-owned by Zhong Ao Property.

### *Guangzhou Maiyue*

Guangzhou Maiyue is principally engaged in the provision of value-added telecommunication services and is a holder of ICP License. Guangzhou Maiyue was established in Guangzhou, the PRC on September 26, 2014 with an initial registered capital of RMB1,000,000. Since its establishment, Guangzhou Maiyue was owned by Mr. Liu as to 75% and Ms. Zhao Sina (趙斯娜) as to 25%. On April 15, 2015, Guangzhou Suiya entered into the Structured Contracts with Guangzhou Maiyue and its shareholders, namely Mr. Liu and Ms. Zhao Sina (趙斯娜), and their respective spouse, so as to gain effective control over, and receive 75% of the economic benefits generated by the business operated by Guangzhou Maiyue. For details of the Structured Contracts, please refer to the section headed “Structured Contracts” in this document.

### **Disposed Subsidiary during the Track Record Period**

Foshan Julong is principally engaged in provision of property management services and was established by Chen Liqiong (陳麗瓊) and Zhang Zhitai (張志泰), Independent Third Parties, in Foshan, the PRC on September 19, 2005 with an initial registered capital of RMB500,000. The registered capital of Foshan Julong was increased to RMB3,000,000 on August 15, 2008 and further to RMB5,010,000 on November 3, 2009.

## **HISTORY, REORGANIZATION AND CORPORATE STRUCTURE**

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In order to acquire the property management business operated by Foshan Julong, Zhong Ao Property entered into equity transfer agreements with Chen Liqiong (陳麗瓊) and Zhang Zhitai (張志泰) respectively on November 28, 2011, pursuant to which Zhong Ao Property acquired the entire equity interest in Foshan Julong from Chen Liqiong (陳麗瓊) and Zhang Zhitai (張志泰) at a total consideration of RMB4, which was determined based on arm's length negotiation among the parties and with reference to the then net asset value of Foshan Julong. On December 26, 2011, an updated business license reflecting such acquisition was granted by the relevant PRC authority. Upon completion of such transfer, Foshan Julong became a wholly-owned subsidiary of Zhong Ao Property.

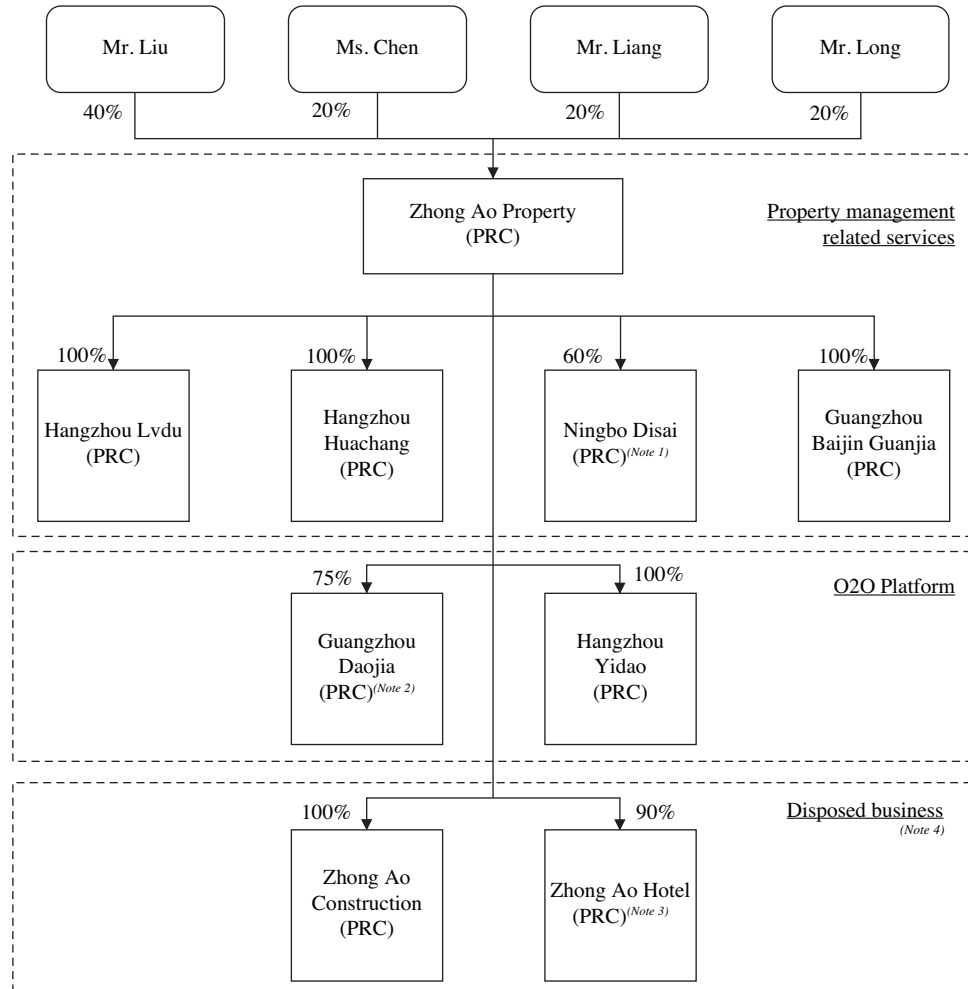
After the acquisition of Foshan Julong by Zhong Ao Property, certain defects of business of Foshan Julong were found, which were considered as breach of the representations and warranties given by Chen Liqiong (陳麗瓊) and Zhang Zhitai (張志泰). As such, Foshan Julong was transferred

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

back to the sellers. In July 2012, at a total consideration of RMB4, which was equivalent to the consideration paid by Zhong Ao Property for the acquisition of Foshan Julong in 2011. Such transaction was completed on August 1, 2012, upon which Foshan Julong ceased being a subsidiary of Zhong Ao Property and a member of our Group. As of December 31, 2012, Foshan Julong recorded net liabilities of 41,000.

### REORGANIZATION

The following diagram illustrates our corporate structure before the Reorganization.



Notes:

- (1) The remaining 40% equity interest in Ningbo Disai is owned by Disai Holding, a founder of Ningbo Disai and an Independent Third Party, save and except as a shareholder of Ningbo Disai;
- (2) The remaining 25% equity interest in Guangzhou Daojia is owned by Jiusheng, a founder of Guangzhou Daojia and an Independent Third Party, save and except as a shareholder of Guangzhou Daojia; and



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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- (3) Zhong Ao Hotel was owned as to 5% by each of two individuals, namely Li Xin (厲心) and Zheng Dong (鄭東), both are Independent Third Parties, save and except as shareholders of Zhong Ao Hotel; and
- (4) Please refer the sub-section headed “— Disposed business” for details of Zhong Ao Construction and Zhong Ao Hotel.

### **Disposed Businesses**

In 2013, the Group intended to expand its business to provide various commercial services to real estate developers and hotels. As such, Zhong Ao Construction and Zhong Ao Hotel were established in 2013 with business scope of provision of commercial services.

In order to streamline our operation and focus on the business of property management services, Zhong Ao Construction and Zhong Ao Hotel were disposed of and ceased to be members of our Group during Reorganization.

### ***Zhong Ao Construction***

Zhong Ao Construction was established by Zhong Ao Property in Guangzhou, the PRC on June 7, 2013 with an initial registered capital of RMB10,000,000. As of the date of establishment, Zhong Ao Construction was wholly-owned by Zhong Ao Property.

Since May 6, 2014, Zhong Ao Construction held 40% equity interest in Guangzhou Aoye Sport Company Limited (廣州奧業體育有限公司) (“**Guangzhou Aoye Sport**”), a limited company established in Guangzhou, the PRC and principally engaged in operation of golf training courses and sales of golf equipments. The registered capital of Guangzhou Aoye Sport was RMB7,000,000.

As the business scope of Zhong Ao Construction is not in line with those of our Group, we decided to dispose of Zhong Ao Construction during Reorganization. On December 1, 2014, Zhong Ao Property entered into an equity transfer agreement with Wang Hongwei (王紅衛), an Independent Third Party, pursuant to which Zhong Ao Property sold the entire equity interest in Zhong Ao Construction to Wang Hongwei (王紅衛), for a consideration of RMB10,000,000, which was determined based on arm’s length negotiation between the parties and equivalent to the registered capital of Zhong Ao Construction. Such disposal was completed on December 3, 2014, upon which Zhong Ao Construction ceased being a subsidiary of Zhong Ao Property and a member of our Group.

### ***Zhong Ao Hotel***

Zhong Ao Hotel was established in Guangzhou, the PRC on December 25, 2013 with an initial registered capital of RMB10,000,000. As of the date of establishment, Zhong Ao Hotel was owned as to 90% by Zhong Ao Property and as to 5% by each of two individuals, namely Li Xin (厲心) and Zheng Dong (鄭東), both are Independent Third Parties, save and except as shareholders of Zhong Ao Hotel.

As the business scope of Zhong Ao Hotel differs from those of our Group, we decided to dispose of Zhong Ao Hotel during Reorganization. On December 28, 2014, Zhong Ao Property entered into an equity transfer agreement with Wang Hongwei (王紅衛), pursuant to which Zhong Ao Property sold the 90% equity interest it held in Zhong Ao Hotel to Wang Hongwei (王紅衛), for a consideration of RMB9,000,000, which was determined based on arm’s length negotiation between the parties with

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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reference to the registered capital of Zhong Ao Hotel. Such disposal was completed on January 7, 2015, upon which Zhong Ao Hotel ceased being a subsidiary of Zhong Ao Property and a member of our Group.

On the disposals of Zhong Ao Hotel and Zhong Ao Construction, the Group owed such disposed subsidiaries amounting to RMB15,969,000. Such amount due to disposed subsidiaries of RMB15,969,000 was offset and the consideration to be received was reduced by RMB15,969,000, so the remaining consideration receivable was amounting to RMB3,031,000. Both of Zhong Ao Construction and Zhong Ao Hotel had no substantial business operation at the time of the abovementioned disposals. There was no revenue or profit generated in Zhong Ao Construction and Zhong Ao Hotel since their respective establishments. For the year ended December 31, 2014, Zhong Ao Construction and Zhong Ao Hotel recorded net assets of RMB2,823,000 and RMB42,000, and net loss of approximately RMB1,154,000 and RMB2,000, respectively.

### **Incorporation of Our Company and Our Offshore Subsidiaries**

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on January 5, 2015 to act as the holding company of our Group for the [REDACTED] on the Stock Exchange. The initial authorized share capital of the Company was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On January 5, 2015, one subscriber Share was issued and allotted to the initial subscriber, who on the same day transferred that one Share to Qichang, our Controlling Shareholder.

Zhong Ao Holdings was incorporated in the BVI on November 24, 2014 with limited liability, which is authorized to issue 50,000 shares with a par value of US\$1.00 each. On January 9, 2015, Zhong Ao Holdings allotted one subscriber share to our Company, pursuant to which Zhong Ao Holdings became a wholly-owned subsidiary of our Company.

Zhong Ao HK was incorporated under the laws of Hong Kong on January 15, 2015 with limited liability. On the same day, Zhong Ao HK allotted one subscriber share to Zhong Ao Holdings, pursuant to which Zhong Ao HK became a wholly-owned subsidiary of Zhong Ao Holdings.

### **Establishment of Guangzhou Suiya and Guangzhou Xuji**

Guangzhou Suiya is our PRC holding company and was established by Zhong Ao HK in Guangzhou, the PRC on March 31, 2015 with an initial registered capital of RMB1,000,000. As of the date of establishment, Guangzhou Suiya was wholly-owned by Zhong Ao HK.

Guangzhou Xuji is our PRC holding company and was established by Zhong Ao HK in Guangzhou, the PRC on March 23, 2015 with an initial registered capital of RMB1,000,000. As of the date of establishment, Guangzhou Xuji was wholly-owned by Zhong Ao HK.

On May 20, 2015, the registered capital of Guangzhou Xuji was increased from RMB1,000,000 to RMB77,500,000.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Acquisition of Zhong Ao Property

On April 10, 2015, Guangzhou Xuji entered into an equity transfer agreement with Mr. Liu, Ms. Chen, Mr. Liang and Mr. Long, pursuant to which Guangzhou Xuji acquired the entire equity interest in Zhong Ao Property at an aggregate consideration of RMB10,000,000, which is equivalent to the then registered capital of Zhong Ao Property. Such acquisition has been properly and legally completed and settled on April 13, 2015, upon which Zhong Ao Property became a indirect wholly-owned subsidiary of our Company.

### ESTABLISHMENT OF THE LIU FAMILY TRUST

On December 22, 2014, the Liu Family Trust was established as a discretionary trust, with Mr. Liu as the founder. The beneficiaries of the Liu Family Trust are Mr. Liu and his immediate family members. The sole asset of the Liu Family Trust is 85% of the issued share capital of Dawngate, which owns as to 40% equity interest in Qichang. Hilton Assets (PTC) Limited is the trustee of the Liu Family Trust. At the Latest Practicable Date, Dawngate was owned as to 85% by the Liu Family Trust and 15% by Mr. Liu.

### ENTERING INTO THE STRUCTURED CONTRACTS

Due to the restrictions under the PRC laws and regulations on foreign investment in ICP License holders, we could not hold Guangzhou Maiyue (which is the holder of an ICP License for development of our O2O platform in the residential communities under our management) directly through equity ownership. In order to gain effective control over and receive 75% of the economic benefits generated by the business operated by Guangzhou Maiyue, on April 15, 2015, Guangzhou Suiya entered into the Structured Contracts with Guangzhou Maiyue and its shareholders, namely Mr. Liu and Ms. Zhao Sina (趙斯娜), and their respective spouse, details of which please refer to the section headed “Structured Contracts” in this document.

### [REDACTED] INVESTMENTS

In view of the business prospects of our Group, two [REDACTED] investors, namely VKC and E-House decided to make [REDACTED] investments in our Company.

#### Investment by VKC

VKC is a Cayman Islands exempted limited partnership with the general nature of business to acquire, hold, sell and otherwise dispose of securities. VKC is managed by VKC (China) GP II Ltd., which is a Cayman Islands exempted limited company. VKC (China) GP II Ltd. is wholly-owned by VKC Cayman II Ltd.

As designated by VKC, Central Oscar, a limited company held as to approximately 95.5% and 4.5% by Vision Knight Capital (China) Fund II, L.P. and Vision Knight Capital (China) Entrepreneur Fund II, L.P. respectively, both of which are managed by VKC, entered into a share purchase agreement (“VKC SPA”) with, among others, our Company, Mr. Liu, Ms. Chen, Mr. Long and Mr. Liang on February 3, 2015, pursuant to which Central Oscar, subject to customary conditions, agreed to subscribe 150 Shares for an aggregate consideration of US\$20,000,000. Such consideration was determined based

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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on arm’s length negotiations with regard to our Group’s financial condition and results of operations. The subscription was completed on April 17, 2015 and properly, legally and irrevocably settled on April 18, 2015.

### Investment by E-House

Hengji is a limited partnership established under PRC laws with the principal objective of generating capital returns primarily through equity and equity related investments in companies. Hengji is managed by Shanghai Yidezhaio Investment Management Center (L.P.) (上海易德昭投資管理中心(有限合夥)), which in turn is managed by Shanghai Yubo Investment Management Company Limited (上海譽鉅投資管理有限公司), an indirect subsidiary of E-House. E-House is a limited company incorporated under the laws of Cayman Islands and its shares are listed on the New York Stock Exchange (NYSE: EJ).

Hengji entered into a share purchase agreement with, among others, our Company. Mr. Liu, Ms. Chen, Mr. Long and Mr. Liang on February 3, 2015 and subsequently designated Decision Holdings, being a wholly-owned subsidiary of Hengji, to enter into a novation agreement with the aforementioned parties on April 17, 2015 to take up all the rights and obligations of Hengji under the share purchase agreement (collectively, the “**Hengji SPA**”). Pursuant to the Hengji SPA, Decision Holdings, subject to customary conditions, agreed to subscribe 90 Shares for aggregate consideration of US\$12,000,000. Such consideration was determined based on arm’s length negotiations with regard to our Group’s financial condition and results of operations. The subscription was completed on April 17, 2015 and properly, legally and irrevocably settled on April 27, 2015.

Upon completion of the Hengji SPA, the issued share capital of our Company was owned by Qichang, Central Oscar and Decision Holdings as to 76%, 15% and 9%, respectively. Proceeds from the above Share subscription were for the purposes of our Reorganization and working capital. As of May 31, 2015, approximately HK\$78,500,000 had been utilized in capital contribution to our subsidiaries and the acquisition of Zhong Ao Property by Guangzhou Xuji, as part of our Reorganization. Part of the proceeds from the share subscription has been used by the Company for the acquisition of Guangdong Zhong Ao as part of our Reorganization and the remaining proceeds were for working capital purpose.

Given the [REDACTED] investors’ experience in online business operations, we believe that the [REDACTED] investors will be able to provide strategic input in the management and operations of our Company, ranging from the improvement of financial internal controls and general corporate governance practices to the sharing of expertise in combination of online and offline operations and the development of O2O platforms, as well as potential opportunities of being lined up with businesses that may have synergy effect with our business.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### Principal terms of [REDACTED] investments

The following table summarizes the principal terms of the VKC SPA and the Hengji SPA and the incidental shareholders’ agreement of our Company dated February 3, 2015 (the “[REDACTED] Shareholders’ Agreement”).

| Name of [REDACTED] Investors  | Central Oscar Holdings Limited | Decision Holdings Limited |
|---|--------------------------------|---------------------------|
| <b>Completion date of the [REDACTED] investment</b>   | April 17, 2015                 | April 17, 2015            |
| <b>Number of Shares purchased</b>   | 150                            | 90                        |
| <b>Amount of consideration paid for purchase of Shares</b>  | US\$20,000,000                 | US\$12,000,000            |
| <b>Date of payment of consideration</b>   | April 18, 2015                 | April 27, 2015            |
| <b>Number of Shares held by [REDACTED] Investors upon the Capitalization Issue</b>  | 90,000,000                     | 54,000,000                |
| <b>Cost per Share paid by [REDACTED] Investors (taking into account the [REDACTED])</b>   | HK\$1.72                       | HK\$1.72                  |
| <b>Discount to mid-point of the [REDACTED] range (taking into account the [REDACTED])</b>   | [REDACTED]                     | [REDACTED]                |
| <b>Shareholding in our Company upon the completion of the [REDACTED] Investment</b>   | 15%                            | 9%                        |
| <b>Shareholding in our Company upon [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares to be issued upon exercise of share options granted or may be granted under the [REDACTED] and the Share Option Scheme)</b> | [REDACTED]                     | [REDACTED]                |

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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**Lock-up period** The [REDACTED] Investors agree to be subject to customary market lock-up restrictions after the [REDACTED] as may be required by applicable laws or the Listing Rules.

**Special rights** The following special rights have been granted to the [REDACTED] Investors under the [REDACTED] Shareholders' Agreement entered into among our Company, Qichang and the [REDACTED] Investors:

- *Director appointment and Board participation right.* Each [REDACTED] Investor is entitled to appoint one director to the Board and appoint at least one observer to attend the meetings of the Board and each board of directors of any Group member.<sup>(Note 1)</sup>
- *Veto rights.* Certain corporate actions of our Company require the approval of the [REDACTED] Investors and the Directors appointed by them. Such actions include, among others,
  - (i) conduct of any business or engagement in any transaction other than normal business of our Group;
  - (ii) amendment of the constituent documents of any member of our Group;
  - (iii) changing the number or manner of appointment of the directors on the board of any member of our Group;
  - (iv) dissolution, liquidation, winding-up or reorganization of any member of our Group;
  - (v) allotment and issue new securities or repurchase of its own equity securities by our Company;
  - (vi) adoption of any periodical business plan or financial budget of our Company or any material amendment thereto;
  - (vii) declaration, making or payment of any dividend, distribution or transfer by any member our Group;
  - (viii) merger or consolidation with or acquisition of an interest, material assets or business of third parties by any member of our Group;
  - (ix) entering into, materially modification or termination of, the employment agreement with any senior management member of our Company;
  - (x) approval of any employee benefit plan;

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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- (xi) making of any material change in the accounting methods of any Group member;
  - (xii) selection or replacement of the auditors of our Company; and
  - (xiii) appointment or removal of the chief executive officer, chief financial officer and the legal representative of any member of our Group.
- *Pre-emptive right.* The [REDACTED] Investors have a pre-emptive right to purchase up to a pro rata share of any new securities that our Company may from time to time issue, other than certain excepted issuances, such as new securities issuance under employee stock ownership plan and the [REDACTED].
  - *Anti-dilution.* If our Company issues any new securities without consideration or for an issue price per Share less than the per share subscription price paid by the [REDACTED] Investors, the [REDACTED] Investors are entitled to bonus shares to be issued by our Company for compensation.
  - *Right of first refusal.* If Qichang or any other person subject to the restriction proposes to transfer any Shares ("**Offered Shares**"), the [REDACTED] Investors have a right of first refusal to purchase the Offered Shares on the same terms and conditions stated in the transfer notice given by the transferor, on a pro rata basis based on their respective shareholding.
  - *Right of co-sale.* If the [REDACTED] Investors do not exercise their respective rights of first refusal as to the Offered Shares, they have the right to participate in the sale to the transferee identified in the transfer notice given by the transferor, and on the same terms and conditions as specified therein.
  - *Put option.* The [REDACTED] Investors shall not be entitled to any put option until it is reasonably determined based on comments of the Stock Exchange and other relevant factors that the [REDACTED] is not likely to take place. The [REDACTED] Investors will have the right to sell all of the Shares then owned by it to Qichang after five years from the date of completion of the [REDACTED] investments, provided that no qualified IPO <sup>(note 2)</sup> takes place within such five years.
  - *Conversion right.* If completion of qualified IPO (as defined in the [REDACTED] Shareholders' Agreement and the [REDACTED] constitute a qualified IPO) does not occur within two years after the closing of [REDACTED] investment, each [REDACTED] Investor has the right to convert all the Shares it holds at the time into convertible and redeemable preferred shares to be issued by our Company.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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- *Information, inspection and audit rights.* The [REDACTED] Investors have the rights to receive our Group’s financial and operation information, board minutes or papers of our Group, to inspect properties, records and books of each Group member, and to conduct an audit of the books and records of any member of our Group.
- *Termination.* The [REDACTED] Shareholders’ Agreement will terminate upon the [REDACTED].

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*Notes:*

1. Mr. Wei Zhe (衛哲) and Ms. Wu Qimin (吳綺敏) were designated by the [REDACTED] Investors and appointed by our Company as our non-executive Directors on April 17, 2015, who will be subject to the retirement and re-appointment requirements under the Articles of Association.
2. “qualified IPO” means an underwritten public offering by the Company of its Shares on a recognized stock exchange including the Stock Exchange with a market value of not less than HK\$1,085,000,000 immediately prior to the closing of such offering.

### **Strategic Cooperation with E-House**

On February 3, 2015, Zhong Ao Property entered into a Strategic Cooperation Agreement with Hengji, our [REDACTED] Investor, pursuant to which Hengji, leveraging its connection with E-House (China) Holdings Limited, agreed to provide the following supporting services to us:

- (i) providing supporting services on data processing, for the purpose of promotion of overall operation efficiency and cost saving;
- (ii) supporting in our expansion of offline business and introducing cooperation between us and certain e-commerce platforms;
- (iii) introducing cooperation opportunities between us and property developers on property management services for the properties developed by such developers;
- (iv) assisting in integration of resources of our O2O platform; and
- (v) assisting in searching potential acquisition targets.

The Strategic Cooperation Agreement is a preliminary framework agreement and will be supplemented by detailed cooperation agreements to be agreed between us and relevant business partners.

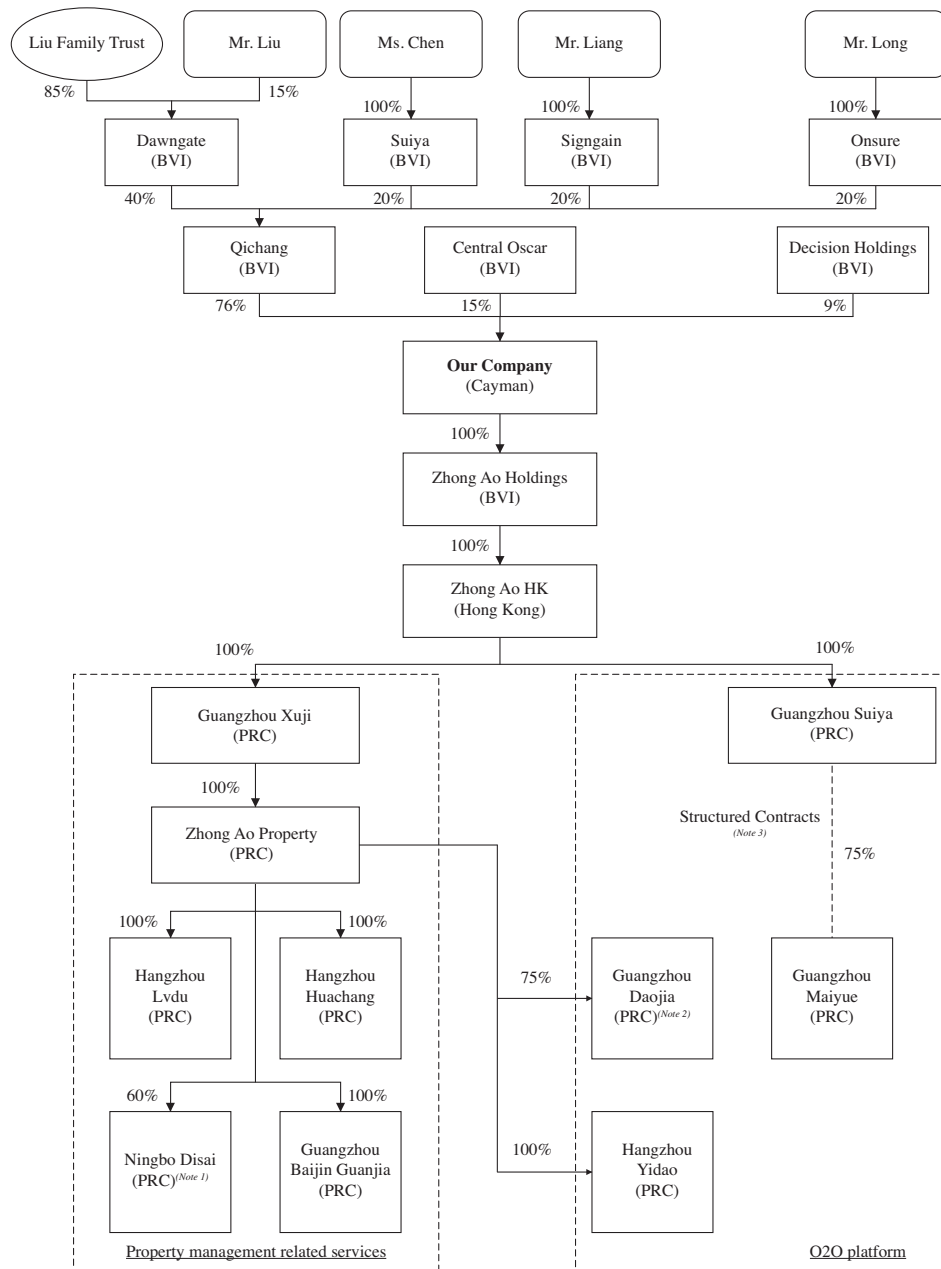
### **Sole Sponsor’s Confirmation**

The Sole Sponsor is not aware of any special circumstances or incidents that could lead to its belief that the [REDACTED] investments mentioned above did not comply with the Interim Guidance on [REDACTED] Investments announced by the Listing Committee on October 13, 2010 (as amended and updated on January 16, 2012) and the requirements set out in the Guidance Letters HKEx-GL43-12 (issued on October 25, 2012 and updated in July 2013), to the extent applicable.



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### CORPORATE STRUCTURE AFTER REORGANIZATION AND THE [REDACTED] INVESTMENTS

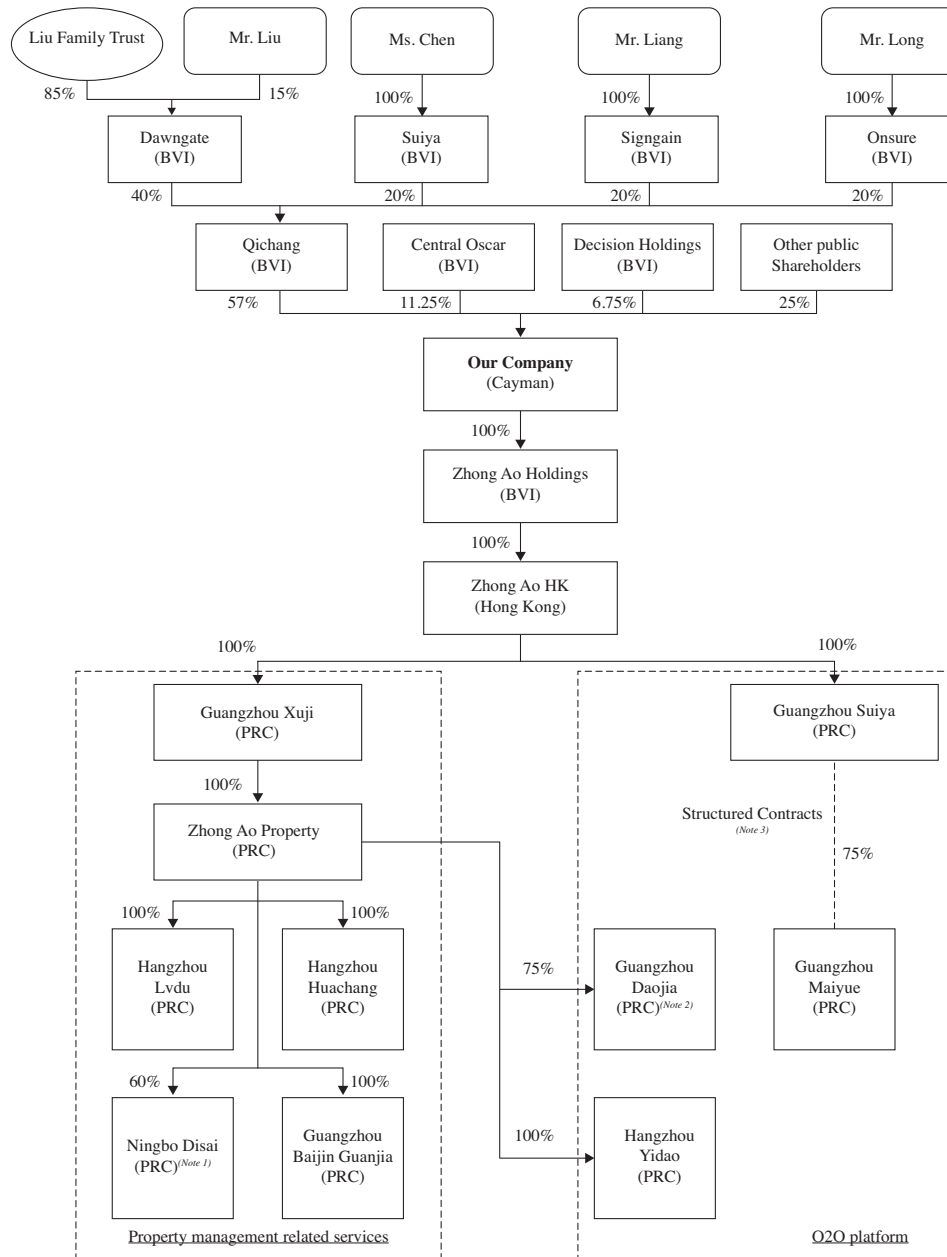


*Notes:*

- (1) The remaining 40% equity interest in Ningbo Disai was owned by Disai Holding, a founder of Ningbo Disai and an Independent Third Party, save and except as a shareholder of Ningbo Disai;
- (2) The remaining 25% equity interest in Guangzhou Daojia was owned by Jiusheng, a founder of Guangzhou Daojia and an Independent Third Party, save and except as a shareholder of Guangzhou Daojia; and
- (3) For the purpose of control of the business operation of Guangzhou Maiyue and obtaining 75% of the economic benefits generated therefrom, Guangzhou Suiya has entered into the Structured Contracts with Guangzhou Maiyue and its shareholders, namely Mr. Liu and Ms. Zhao Sina (趙斯娜), who hold 75% and 25% of the equity interest in Guangzhou Maiyue respectively. For details of the Structured Contracts, please refer to the section headed “Structured Contracts” in this document.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### CORPORATE STRUCTURE IMMEDIATELY AFTER THE COMPLETION OF THE [REDACTED]



**Notes:**

- (1) The remaining 40% equity interest in Ningbo Disai is owned by Disai Holding, a founder of Ningbo Disai and an Independent Third Party, save and except as a shareholder of Ningbo Disai;
- (2) The remaining 25% equity interest in Guangzhou Daojia is owned by Jiusheng, a founder of Guangzhou Daojia and an Independent Third Party, save and except as a shareholder of Guangzhou Daojia; and
- (3) For the purpose of control of the business operation of Guangzhou Maiyue and obtaining 75% of the economic benefits generated therefrom, Guangzhou Suiya has entered into the Structured Contracts with Guangzhou Maiyue and its shareholders, namely Mr. Liu and Ms. Zhao Sina (趙斯娜), who hold 75% and 25% of the equity interest in Guangzhou Maiyue, respectively. For details of the Structured Contracts, please refer to the section headed “Structured Contracts” in this document.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### PRC LEGAL COMPLIANCE

#### Compliance with the M&A Rules

Under the M&A Rules, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from MOFCOM is required.

Our PRC Legal Advisors advised that the acquisition of the entire equity interest in Zhong Ao Property by Guangzhou Xuji from Mr. Liu, Ms. Chen, Mr. Liang and Mr. Long is not subject to approval from MOFCOM and CSRC based on the follows:

- (i) Mr. Liu had become a permanent resident of the Republic of Gambia and his PRC domiciliary registration had been revoked at the time of the acquisition, and thus he was not a domestic natural person under the M&A Rules and the acquisition does not constitute a connected acquisition under the M&A Rules;
- (ii) Ms. Chen, Mr. Liang and Mr. Long, being domestic natural persons under the M&A Rules, did not controlled Guangzhou Xuji and its shareholder Zhong Ao HK, by virtue of which the acquisition does not fall within the situation as set out in Article 11 of the M&A Rules; and
- (iii) the Structured Contracts among Guangzhou Suiya and Guangzhou Maiyue and its shareholders do not constitute an acquisition of equity interest or assets under the M&A Rules.

#### Compliance with the Circular No. 37

According to Circular No. 37 issued by the SAFE, before a domestic resident contributes its legally owned onshore or offshore assets and equity into an SPV, the domestic resident shall conduct foreign exchange registration for offshore investment with the local branch of the SAFE. All of Mr. Liu, Ms. Chen, Mr. Liang, Mr. Long and the beneficiaries of the Liu Family Trust are subject to the requirements under the Circular No. 37. Our PRC Legal Advisors confirmed that all the necessary foreign exchange registration with local foreign exchange authority under the SAFE Circular No. 37 was completed on March 20, 2015.

## **HISTORY, REORGANIZATION AND CORPORATE STRUCTURE**

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Our PRC Legal Advisors further confirmed that all necessary approvals, permits and licenses required under the PRC laws and regulations in connection with the Reorganization have been obtained, and the Reorganization has complied with all applicable laws and regulations of the PRC.

As of the Latest Practicable Date, the registered capital of each of the PRC companies of our Group had been paid up in compliance with applicable PRC laws.

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## OUR BUSINESS

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### OVERVIEW

We are a leading independent property management company in China based on the total contracted GFA as of December 31, 2013, according to China Index Academy. In 2013, we were ranked third in terms of overall strength among independent property management companies, and 9th in 2014 in the “China Top 100 Property Management Companies” (“中國物業服務百強企業”) compiled by China Real Estate Top 10 Research and China Index Academy. In addition, our recently developed O2O platform is also a strategic focus of ours and we expect it to become a key driver of our future growth. During the Track Record Period, we generate revenue from two main business lines:

- *property management business line*, under which we primarily provide property developers and property owners with a broad range of property management services to mostly residential properties, including property management services, ancillary services and consulting services; and
- *sales assistance business line*, under which we provide property developers with sales assistance services by deploying on-site staff at the sales center to maintain the conditions of relevant properties and provide timely assistance with various aspects of the sales process.

Under our property management business line, we compete on service quality as an independent property management company by offering higher service quality through our distinctive butler service model. With our butler service model, we differentiate ourselves from competition by targeting mid to high-end segment of the market. While we continue to expand our business, we adopt a disciplined approach to control costs and increase labor utilization efficiency in order to increase our profit margins. In the future, we plan to accelerate our growth through our acquisition strategy.

Under our sales assistance business line, we provide property management services to property developers during their sales processes, and by demonstrating our service quality in providing these services, we are generally able to secure property management contracts with the property developers for the relevant properties.

To further enhance the quality of our services, we launched our residential community O2O platform in March 2015. Through the platform, we endeavor to offer localized and personalized products and services to our residents and, in conjunction with our butler service model, deliver or facilitate the products or services to our residents. We plan to cover all our properties suitable for our O2O platform by the end of 2016 and generate revenue from the platform in the future. In addition, we are rolling out our O2O platform to third-party residential communities. According to China Index Academy, we are well-positioned to compete in the O2O industry as a property management company since we have on-the-ground property management staff to conduct sales and marketing activities and provide support offline to facilitate services and products from merchants and national brands.

We experienced significant growth in terms of revenue and net profit during the Track Record Period. Our revenue increased from RMB197.4 million in 2012 to RMB290.3 million in 2013, and further to RMB361.2 million in 2014, representing a CAGR of 35.3% from 2012 to 2014. Our total net profit also increased from RMB12.8 million in 2012 to RMB33.1 million in 2013, and further to RMB55.9 million in 2014, representing a CAGR of 109.0% from 2012 to 2014.

## OUR BUSINESS

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### 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 a leading independent property management company with a record of robust growth**

We are a leading independent property management company in China based on the total contracted GFA as of December 31, 2013, according to China Index Academy, and in 2013, we were ranked third in terms of overall strength among independent property management companies according to the same report. As of December 31, 2014, we had a total contracted GFA of 31.4 million sq. m. across 149 properties under our property management business line. As recognition for our leading position and as part of our proven track record in the market, we have received various honors and awards. For example, in 2014, we were ranked 9th in the “China Top 100 Property Management Companies” ranking (“中國物業服務百強企業”) by China Real Estate Top 10 Research and China Index Academy, rising from number 26 in 2010. We had been ranked among the “China Top 100 Property Management Companies” for six consecutive years since 2009. For more information, please see the subsection headed “— Honors and Awards.”

As an independent property management company, we are not reliant on any single property developer to grow our business, and we have to compete in the market on our service quality and operating efficiency. Our competitiveness and our service quality are evidenced by our track record and our historical growth. Our revenue-bearing GFA as of December 31, 2014 was 12.6 million sq. m., representing an increase of 4.9 million sq. m. from 7.7 million sq. m. as of December 31, 2012. We believe that due to our professionalized services and expertise without the encumbrance of potential conflicts of interests faced by many affiliated property management companies, we are well-positioned to leverage our market positioning as an independent property management company to compete for projects managed by property developers who have no property management services subsidiaries or affiliated companies. We commenced our operations in 2005, and have since then expanded our presence to 27 cities in 11 provinces as of December 31, 2014.

We serve a diverse customer base, totaling a broad range of property developers, during the Track Record Period. As a reflection of our service quality, we have established long-term customer relationships with national property developers such as BJ Capital Land, Wolong Real Estate Group, Poly Real Estate (Group) Co., Ltd. and Luneng Real Estate Development Group. In addition, we seek to cultivate strong partnership with leading regional property developers in their respective regions. Due to their strong positions in their respective regions, these regional property developers serve as a potential consistent pipeline for new development projects in their respective regions in which they are the market leaders. Since the property market in China is highly fragmented, we as a market leader, are well-positioned to capture the market growth with our brand as the market consolidates.

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## OUR BUSINESS

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### **Our expertise in selecting and managing our properties and our high level of standardization, centralization and automation contribute to our profitability**

We believe our management is effective in raising our profit margin through a rigorous project selection process and a set of stringent cost control measures. Our net profit margin increased from 6.5% in 2012 to 15.5% in 2014. The 2013 average net profit margin for China top 100 property management companies was 8.3%, whereas our net profit margin was 11.4% in the same year, according to China Index Academy.

We are able to increase our profit margin through a disciplined approach to property selection and management. We have a stringent set of criteria for property selection process to ensure profitability. For example, we primarily take on newly-developed properties, which generally have a lower maintenance cost; and properties with a total GFA greater than 100,000 sq. m. since larger properties typically yield greater economies of scale; and properties in the mid to high-end segment, from which we may charge a higher price. Our property management price per residential revenue-bearing GFA increased from RMB1.70 per sq. m. per month in 2012 to RMB1.77 per sq. m. per month in 2014. In addition, we conduct thorough financial forecasting on the projects before we price and accept a project in order to ensure high profitability from the projects we take on. Through these efforts, we are able to continue to ensure the new projects we take on will continue to contribute to our profitability.

We consider the successful implementation of standardization, centralization and automation strategy the key to our success in cost control and achieving a sustainable profit margin. We adopt these quality assurance measures enabled by cutting-edge technology. For quality assurance, during the Track Record Period, we successfully adopted standardized property management services at properties we manage through implementing effective methods to deliver relevant services. Furthermore, we hire external third parties to conduct interviews of the clients to understand the gaps in the quality of our service offerings.

In order to effectively manage a large number of employees across many cities in the PRC, we constantly strive for greater efficiency by delegating sufficient autonomy to each local branch in determining its own resource allocation, while at the same time streamlining our centralized management structure in order to directly command and supervise our on-site staff as needed. To accomplish such task, we have adopted various measures and strategy enabled by third-party technology and propriety software. We manage onsite staff remotely through IT systems and as a result, we require fewer administrative staff to manage a larger area. We are ranked number one among independent property management companies in terms of GFA per employee in 2013, according to China Index Academy. In addition, we have adopted software through which we digitized all employee records, allowing us to manage and monitor easily. For instance, through our software, our employees are now required to check in at work through facial recognition, and we can supervise our employees remotely, send instructions to them, and automate certain processes such as payroll calculation and performance review. Our cost control measures contributed significantly to an increase in our gross profit margin to 33.4% in 2014, from 19.0% in 2012.

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### **Our service quality is enhanced by our distinctive butler service model which targets mid to high-end residential segment**

We were among the first batch of companies to proactively educate the market about the concept of butler services in order to strategically target mid to high-end residential properties in China with a high-quality service brand as we believe the mid to high-end market segment is more willing to pay for premium property management services. Capitalizing on our expertise and experience in property management services, we have achieved rapid market expansion and successfully positioned “Zhong Ao Property Management” as a brand for the mid to high-end segment of the market. For example, according to China Index Academy, our average fees charged to our residents are above the market average in Guangzhou. With their extensive management experience in the hospitality industry, our founders brought over the service level seen in the hospitality industry to the property management industry, where we aim to build closer relationships with our residents through our trained butlers. Detailed knowledge about our residents and the tight-knitted relationships with them enable our butlers to anticipate and proactively offer a wide range of services for the residents’ needs.

As the main point of contact for our residents, our butlers provide personalized services with onsite resources in line with our development strategy. Our butler service levels vary depending on the types of properties. During the Track Record Period, substantially all of our properties are covered by butler services. Butlers are responsible for coordinating onsite resources to provide immediate attention and a wide range of services to our residents. They are in charge of monitoring the quality of property management services provided by other employees to relevant buildings and liaising with other departments or third-party service providers to deliver requested services for residents, such as postal services, delivery services, and personal shopping services. Our butlers also act as the offline, physical entry point into our managed properties to facilitate the deployment of our O2O platform, for which we would be able to leverage the butlers and their strong relationships with the residents to lower our customer acquisition costs. For more information, please see the subsection headed “— Property Management Business Line — Our Butler services.”

Our butler service model is mainly differentiated from competitors in three aspects: concierge service level that is above and beyond a simple reception level of services; 24-hour availability; and a proactive approach to customer services. We believe the differentiated services and higher degree of engagement with residents ensures a greater level of customer satisfaction and customer loyalty, which in turn enhances our reputation and helps us renew existing contracts and secure new projects against competitors. As a result, despite the more comprehensive and enhanced services, we have become increasingly profitable due to our disciplined and innovative approach to cost control.

To ensure our high service quality, we attach great importance to the quality of our staff by imposing requirements on butler training and certification, as well as a minimum education level. As of December 31, 2014, we had more than 700 butlers, covering substantially all our properties, among whom, 158 butlers were our full-time employees. Given the large number of butlers we have, we have established a comprehensive training program, a set of KPIs and an efficient review system to manage and assure the quality of their services. For example, we collaborate with Guangdong Polytechnic Institute to establish a co-operative program named “Guangdong Polytechnic Institute — Zhong Ao Property Management Academy” (廣東理工職業學院 — 中奧物業管理學院) and provide two years of supplemental training and one year of internship opportunities to students in the schools, who may join us as butlers upon graduation. We also work with Guangdong Vocational College of Electronic Technology (廣東省電子職業技術學校) to provide continued education for our employees to earn a



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college degree. We also conduct quarterly training for our existing butlers, and in the future, in collaboration with our school partners, we plan to increase the intensity of training for our butlers by implementing a structured education program that would confer relevant degrees as appropriate.

### **Our business model, our team and our strategic partners provide a strong foundation to develop our O2O business**

In March 2015, we officially launched a pilot program to test the O2O platform at select properties. The O2O platform would serve as an online mobile portal for residents to procure products or services, which we will deliver or facilitate the provision of services directly to their homes. It would also function as an information platform, a utility tool for checking and paying property management bills and a communication tool for the residents to reach out to the butlers. For more information, please see the subsection headed “— Our O2O Platform.”

According to iResearch Consulting Group, the O2O industry developed at a rapid pace at a CAGR of 246.6% between 2012 and 2014. Moreover, property management companies are well-positioned to enter into the residential community O2O industry due to their immediate access to residents and their offline infrastructure. Property management companies have the natural advantages of on-site staff on the ground and control over the premise. For more information, please see the section headed “Industry Overview — China Residential Community O2O Industry.” Although our O2O platform has only been launched recently, we are well-positioned to develop this platform and expand our coverage to all of our properties as compared to other O2O competitors. We believe that the following will contribute to its development:

- *Our butler service model.* Our greatest advantage in developing the O2O platform is our butler service model. With the offline, physical infrastructure, we will have lower costs of building out our offline network and staff team on the ground to render offline services. In addition, the butler model would help us promote the adoption of the application as the butlers are present in substantially all of our properties and have strong existing relationships with the residents, which will lower the cost of customer acquisition. Butlers can also make recommendations on the products and services provided on the platform, thereby increasing sales on the platform. More importantly, they provide the last-mile delivery, which affords convenience to the residents and lowers costs for the merchants and residents alike. Lastly the butlers can also assist in collecting user preferences and behavior to help refine our business model and provide more targeted marketing.
- *Our team.* To implement our strategy for the O2O platform, we have assembled a strong and seasoned team with extensive experience in the internet business. They have a proven track record of developing and implementing the successful business model and operational model, and setting the right tone and mechanisms for online marketplaces. Mr. WEI Zhe, who was formerly the CEO of Alibaba.com, would provide strategic direction to the O2O platform and has been instrumental in setting up the O2O team, offering his extensive experience in China’s e-commerce industry. The team is led by Mr. LUO Tao, who previously worked at T-Mall, a subsidiary of Alibaba, as an operations expert and at NetEase Corporation as a senior business manager. In addition, the team is composed mainly of people in their 20s and 30s

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and most of them previously worked at Alibaba or NetEase. We have granted share options under our [REDACTED] to Messrs. Wei and Luo. For more information, please see the section headed “Statutory and General Information — 8.[REDACTED].”

- *Our resident demographics.* Our managed properties are mostly residents in the mid to high-end segment, who we believe have a greater level of willingness to spend and exhibit the consumer behavior pattern of using online channels to procure their products. This group of captured audience provides a strong foundation of core customers to build our platform upon. With our customer demographics’ strong purchasing power, we are also able to attract more merchants to our platform. In turn, our bargaining power to further sign up high-quality merchants would allow us to cater even more to the mid to high-end segment.
- *Our partners.* To position ourselves for accelerated growth in our O2O platform, we have secured strategic partnership agreements with several leading players in key online areas, including E-House and Fangdd, leading real estate-related service providers; and Niu Hai E-Commerce which is the operator of Yihaodian, a leading online supermarket. We would be able to leverage the business networks of E-house and Fangdd to obtain introduction to property developers, thereby increasing the number of properties covered by our O2O platform. Yihaodian would serve as our product supplier for our O2O platform, help us expand our product range and bolster our product reliability. Leveraging the strengths of these partners, we believe we are well-positioned to develop our O2O business.

**We have a seasoned and visionary management team with a proven track record, strong execution capability and in-depth knowledge of our industry supported by valuable and dedicated strategic investors**

Our management team consists of knowledgeable and experienced professionals with a proven track record in the property management industry and has extensive experience in the hospitality services, which is invaluable to the development of our business in the mid to high-end segment of the market. Mr. Liu, our executive director and chief executive officer, Ms. Chen, Mr. Long, and Mr. Liang, each an executive director and a vice president, have on average approximately 15 years of experience in the property management and related industry and served in senior management positions at various property management companies and hospitality establishments. Furthermore, the majority members of our senior management team have been with us since founding of the Company, 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 our business model, which we believe differentiate us from our competitors and have contributed to our rapid growth. In particular, their hospitality experiences have helped us raise our service level and successfully implement butler services across substantially all of our properties. For more information, please see the section headed “Directors, Senior Management and Employees” in this document. We believe our management team will continue to be a key factor to our future development of our business.

In addition to a strong management team, our strategic investors are instrumental in positioning us to acquire various business opportunities and form strong partnerships with service and product merchants. For example, as one of our strategic investors, E-House, a leading online-to-offline real

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estate services company listed on the NYSE, has entered into a strategic cooperative agreement with us. Since E-House mainly engages in primary market real estate agency services, their main customers are property developers. As such, we expect this partnership with E-House to help us increase our exposure to customers and property developers and market our services to a broader base. It would allow us to access a larger pool of new customers and various internet companies for potential collaboration and business opportunities. In addition, our PE investor, VKC, founded by Mr. WEI Zhe, the former CEO of Alibaba.com, also brings additional resources and experience to accelerate our business growth and O2O development. VKC offers years of experience in focused investments in internet-related businesses and a broad network of industry contacts to support our growth. These business relations position us to further expand our online presence and quickly build up our expertise and knowledge in developing our online and offline business.

Building on our strategic partnership, management experience and strong execution ability, we believe that we are well-positioned to achieve further growth and to take advantage of significant market opportunities in the future.

### OUR BUSINESS STRATEGIES

We plan to become the leading property management company offering integrated and comprehensive offline and online services in China. We intend to achieve our objective by implementing the following strategies:

#### **Accelerate our business growth through acquisitions of property management companies**

We plan to accelerate the growth of our business by acquiring property management companies. The property management market is highly fragmented, according to China Index Academy, and there is a trend of consolidation in the industry. By making acquisitions, we can strengthen our market position, expand into new geographies and gain new capabilities. During the Track Record Period, we made two acquisitions and successfully multiplied the gross profits of Hangzhou Lvdu from RMB0.4 million in 2012 to RMB1.3 million in 2013 through our operations. As part of the [REDACTED], we have allocated approximately [REDACTED] of the proceeds for acquisitions. For more information, please see the section headed “Future Plans and Use of Proceeds.” For property management companies affiliated with property developers, we typically target loss-making companies that we believe generate low profits or suffer losses due to poor management. On the other hand, we would also target financially sound independent property management companies. For more information on target selection, please see the subsection headed “— Acquisitions.”

We intend to continue to apply our operating model and our automation, standardization and centralization measures to our acquired businesses as part of our integration. Our standardized operating model and processes allow us to effectively manage an expanding business with increasing complexity. The cost savings and efficiency improvement through the economies of scale help us free up financial resources and management time to expand organically or explore various acquisition opportunities. We have been actively seeking potential targets, but as of the Latest Practicable Date, we had not identified any particular acquisition target.

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### **Continue organic growth by solidifying existing customer relationships and developing new relationships**

We plan to continue to grow organically by acquiring new clients and developing strong relationships with them. We mainly target our marketing efforts for new client at small and medium-sized property developers without their own property management business, and we plan to continue such strategy. In targeting new clients, we also selectively evaluate opportunities in cities with high population in economically developed regions, such as provincial capitals, second-tier and third-tier cities and other areas around the existing locations where we have a presence with a view to maximizing our economies of scale. Our sales assistance services also provide an entry point to procuring new property management service contracts.

In addition to the traditional sales efforts, we further plan to expand our new customer referral channel through our partnerships with E-house and Fangdd with whom we have entered into strategic collaboration agreements. Under these agreements, E-House and Fangdd would introduce various property developers to us through their expansive networks of contacts and customers in order to support our growth.

We also intend to strengthen our existing relationships by enhancing our service quality and increasing our customer satisfaction. We plan to continue our efforts in training our butlers and providing personalized services to our residents. We also plan to roll out our O2O platform to these existing properties to enhance our services. Through these measures, we hope to retain our existing clients and become the preferential partner to our existing property developer clients.

### **Continue to increase the usage of our O2O platform by our residents and local merchants through enhancing our users' experience and our platform coverage**

We plan to further develop our community O2O platform by growing the number of users and increasing the frequency of usage with approximately [REDACTED] of the proceeds from the [REDACTED]. In so doing, we plan to undertake three strategies:

- *Expand the range of services and products.* We intend to devote more resources to identify qualified merchants that can provide a wider variety of products and services for residents. In the early stage of development, we focus on recruiting and bringing the merchants around our managed properties to the platform. In the future, we plan to work with national providers to offer their products and services directly to the residents, where our platform would serve as a distribution network. To this end, we have concluded a strategic collaboration agreement with Niu Hai E-Commerce which is the operator of Yihaodian, a leading online supermarket, to serve as our supplier to provide a broad range of products to our residents. We also entered into strategic partnership with Fangdd, and plan to connect our O2O platform with their online marketplace to allow our residents to offer their properties online. Our strategy in product and service expansion would be informed by our user behavior data and the insight extracted from the wealth of information gathered.
- *Increase the coverage rate of the properties we manage.* We plan to extend the coverage of the platform to more residential communities we manage, with a view to making our online platform accessible to more residents to utilize our community information, services and products. As of the Latest Practicable Date, our O2O platform covered nine residential

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communities we managed. In the first year after the launch, we plan to refine our O2O business model. By the end of 2015 and beginning of 2016, we plan to expand such coverage to more residential communities, and by the end of 2016, we plan to cover all properties under our management suitable for O2O platforms based on our commercial feasibility assessment. Certain properties may not be suitable for O2O coverage for various reasons, such as the lack of merchants in their vicinities and the low density of residents in villa-type properties.

- *Increase the adoption rate by third-party property management companies.* We plan to provide the O2O platform solution, including our butler service model, to third-party property management companies in order to further increase our share in the O2O market. We believe once we successfully bring a critical mass of merchants around a managed property onto our platform, third-party property management companies within the vicinity of their managed properties would be motivated to adopt the platform to provide better services to their own residents.

With these strategies, we aim to create a platform that offers a diversified range of services and products sourced from a broad base of merchants to a fast-growing number of residents.

### **Develop and attract strong talent 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. Given the importance of human resources in our industry, we plan to use approximately [REDACTED] of the proceeds from the [REDACTED] on recruiting and training programs.

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. To ensure that we have a healthy pipeline of butlers, we currently have collaboration agreements with two vocational schools to provide training and courses to their students. In the future, we plan to further expand such formal training programs by establishing a butler training school under our own brand in further collaboration with our existing school partners or with other educational institutions. We also view internal promotion as an important means of developing and retaining talents, and we plan to further educate and train non-butler employees and promote qualified employees to butler roles. Furthermore, for existing butlers, we have a comprehensive internal staff training system, under which we provide periodic training. We plan to introduce formal education programs to allow our butlers to earn a higher education degree. We expect that our training system and various education programs will continue to produce mid-level managerial talents in sufficient quantities to support our human resource needs.

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.

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### OUR BUSINESS

During the Track Record Period, we generated revenue through providing property management services and sales assistance services under our two business lines. The table below sets forth details of our business lines.

**Property management business line** Under this business line, we primarily provide property developers and property owners with a broad range of property management services to mostly residential properties. Services we provided in this business line include property management services, ancillary services and consulting services.

**Sales assistance business line** Under this business line, we provide property developers with cleaning, security and maintenance of their model homes and sales centers and provide general assistance to facilitate the sales process of the properties.

In addition, we are developing our O2O business as an extension of our property management business line. During the Track Record Period, we did not derive any revenue from our O2O business.

The table below sets forth the breakdown of our revenue during the Track Record Period.

|                                     | For the year ended December 31, |            |                               |            |                               |            |
|-------------------------------------|---------------------------------|------------|-------------------------------|------------|-------------------------------|------------|
|                                     | 2012                            |            | 2013                          |            | 2014                          |            |
|                                     | <i>(RMB<br/>in thousands)</i>   | <i>(%)</i> | <i>(RMB<br/>in thousands)</i> | <i>(%)</i> | <i>(RMB<br/>in thousands)</i> | <i>(%)</i> |
| Property management business line   | 162,710                         | 82.4       | 238,556                       | 82.2       | 292,860                       | 81.1       |
| <i>Property management services</i> | 148,869                         | 75.4       | 223,563                       | 77.0       | 268,783                       | 74.4       |
| <i>Ancillary services</i>           | 12,463                          | 6.3        | 14,405                        | 5.0        | 23,410                        | 6.5        |
| <i>Consulting services</i>          | 1,378                           | 0.7        | 588                           | 0.2        | 667                           | 0.2        |
| Sales assistance business line      | 34,739                          | 17.6       | 51,720                        | 17.8       | 68,342                        | 18.9       |
| <b>Total</b>                        | 197,449                         | 100.0      | 290,276                       | 100.0      | 361,202                       | 100.0      |

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### PROPERTY MANAGEMENT BUSINESS LINE

The table below sets forth the breakdown of our revenue under property management business line during the Track Record Period.

|  | Year ended December 31,       |              |                               |              |                               |              |
|--|-------------------------------|--------------|-------------------------------|--------------|-------------------------------|--------------|
|  | 2012                          |              | 2013                          |              | 2014                          |              |
|  | <i>(RMB<br/>in thousands)</i> | (%)          | <i>(RMB<br/>in thousands)</i> | (%)          | <i>(RMB<br/>in thousands)</i> | (%)          |
| Property management services                                       | 148,869                       | 91.5         | 223,563                       | 93.7         | 268,783                       | 91.8         |
| <i>Property management services under<br/>    lump sum basis</i>   | 148,869                       | 91.5         | 223,082                       | 93.5         | 268,421                       | 91.7         |
| <i>Property management services under<br/>    commission basis</i> | —                             | —            | 481                           | 0.2          | 362                           | 0.1          |
| Ancillary services   | 12,463                        | 7.7          | 14,405                        | 6.0          | 23,410                        | 8.0          |
| Consulting services  | 1,378                         | 0.8          | 588                           | 0.3          | 667                           | 0.2          |
| <b>Total</b>   | <b>162,710</b>                | <b>100.0</b> | <b>238,556</b>                | <b>100.0</b> | <b>292,860</b>                | <b>100.0</b> |

### Scope of Services

In managing this business line, we provide property developers and property owners with a broad range of services. While our primary and long-term business focus is on the residential property market, we also provide our services to non-residential properties (including both stand-alone and ancillary properties), such as schools and commercial buildings.

#### *Property management services*

##### *Standard services*

We provide general cleaning, pest control and landscape maintenance services to properties managed by us. We also seek to enhance the quality of our security services through providing continuous training to our employees and upgrading relevant equipments. Our daily security services include patrolling, access control, visitor registration and emergency handling. For more information, please see the subsection headed “— Our Suppliers — Sub-contractors.”

We generally provide repair and maintenance services, by ourselves or through engaging qualified third-party service providers, to: (i) common area facilities such as lifts and escalators; (ii) fire and safety facilities such as fire extinguishers and fire alarm systems; (iii) security facilities such as entrance gate control and surveillance cameras; and (iv) utility facilities such as power generators, water pumps and water tanks.

##### *Butler services*

To distinguish ourselves from competing property management companies and establish the market standard for high-end property management service in China, we actively seek to gain a more comprehensive and deeper understanding of the needs of residents and anticipate their demands. We were among the first batch of companies to proactively educate the market about premium butler services in China and to provide such services to select properties in 2007. Our butler services are

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highly recognized in the market and helped us obtain the award for Leading Specialty Property Management Enterprises (中國特色物業服務領先企業) selected by China Index Academy in 2012 and by China Real Estate Top 10 Research in 2013 and 2014.

In providing our butler services, we deploy butlers on site to provide comprehensive property management services without charging additional property management fees. As of December 31, 2012, 2013 and 2014, we had 665, 737 and 731 staff to provide butler services, among whom, the majority were staff we engaged through dispatch agencies. They are in charge of monitoring the quality of property management services provided by other employees to relevant buildings and liaising with other departments or third-party service providers to deliver requested services for residents. In contrast to traditional property management services, our butlers take a proactive approach to reach out to the residents in anticipation of their needs. Our butler services attend to the requests of our customers on a 24-hour basis and seek to build a trusting relationship with our customers through frequent communications with them. All property management-related issues in such properties are reported to the butlers who would then allocate onsite resources to resolve the problems. As a result of our analysis of the customer demand beyond the standard property management services, we are offering more than 180 types of value-added services tailored to the residents’ specific needs including grocery shopping, events planning, travel arrangement, postal services, among others, akin to the services found in the hospitality industry, and we have plans to expand our service offerings in the future. Leveraging on our abundant resources and expertise in butler services, we are able to provide an enhanced service level at the same costs of traditional property management services, which enhances our competitiveness through attractive pricing.

We endeavor to hire and retain high-quality employees to provide butler services, which is key to the successful implementation of our strategy and critical to improving client satisfaction, which may in turn drive our profitability. We have in place quarterly four-day training sessions for our butlers on various aspects of the butler services. The training sessions also entail competency assessments, whose results are stored on the employee’s file. We have a comprehensive program to recruit and train new students and provide further education to existing butlers. In collaboration with Guangdong Polytechnic Institute (廣東理工職業學校), in 2011, we established a co-operative program named “Guangdong Polytechnic Institute — Zhong Ao Property Management Academy” (廣東理工職業學院 — 中奧物業管理學院) to provide a vocational program for educating and training students in preparation for a career in property management. The school consists of two years of education and one year of internship with the property management company. This school would provide us a consistent supply of potential butlers. In addition, we have entered into an agreement with Suzhou University (宿州學院) to provide co-operative internship opportunities to students from the school, who gained work experience from serving as a butler. Furthermore, we pay for some of our employees/butlers’ continued education to earn a college degree through Guangdong Vocational College of Electronic Technology (廣東省電子職業技術學校). We plan to establish a butler training school under our own brand in further collaboration with our existing school partners or with other educational institutions. We believe these initiatives help us to recruit and retain butlers and also enhances the quality of our butler services to supply qualified butlers with professional skills to support the development of our butler services.

As of December 31, 2014, we had more than 700 staff to provide butler services which cover substantially all of the properties we managed. To ensure the quality of our butlers, we deployed at least one senior butler at each of our properties that are covered by our butler services. Senior butlers are typically promoted to the position from butlers after several years of strong performance. The senior



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butlers supervise and manage other butlers in the same properties and ensure the service quality standards. Therefore, despite that a majority of our butlers are dispatch workers, we are able to maintain the quality of our butler services. Our senior management, especially our executive Directors, possesses rich experience in the premium segment of the hospitality industry, which enables the Group to anticipate market trends, take advantage of market opportunities, formulate sound business strategies and increase the Group’s overall profits.

### *Ancillary services*

In operating the property management business line, we may, as an ancillary part to our standard services, manage the services in respect of common areas including visitor parking lots, swimming pools, advertisement bulletin boards and club houses. For example, we may charge visitors to our managed properties a parking fee, and may charge fees for the use of advertisement bulletin boards. For more information, please see the subsection headed “— Property Management Business Line — Revenue Model of Property Management Business — Revenue from Ancillary Services.”

### *Consulting services*

We provide consultation and advice to property developers on various aspects of their operations. We are generally invited to provide advice on the various aspects (including the general structure, lift or road planning) of the properties which may affect the quality of the property management services that the residents receive subsequently.

### **Our Geographic Presence**

Since the commencement of our business in 2005, we have grown our presence from Guangzhou to 27 cities in 11 provinces in the PRC where we were contracted to manage 149 properties as of December 31, 2014. We strategically select markets to enter into, focusing on those with more developed economies and comparatively high per capita GDP. Once we have established 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. We primarily provide a variety of property management services to residential properties and occasionally to non-residential properties.

The table below sets forth the revenue breakdown of different geographic areas where we have established presence.

|                           | As of December 31,            |            |                               |            |                               |            |
|---------------------------|-------------------------------|------------|-------------------------------|------------|-------------------------------|------------|
|                           | 2012                          |            | 2013                          |            | 2014                          |            |
|                           | <i>(RMB in<br/>thousands)</i> | <i>(%)</i> | <i>(RMB in<br/>thousands)</i> | <i>(%)</i> | <i>(RMB in<br/>thousands)</i> | <i>(%)</i> |
| Eastern and Central China | 102,902                       | 52.1       | 148,372                       | 51.1       | 178,291                       | 49.4       |
| Southern China            | 80,842                        | 41.0       | 124,226                       | 42.8       | 158,981                       | 44.0       |
| Northern China            | 13,705                        | 6.9        | 17,678                        | 6.1        | 23,930                        | 6.6        |
| <b>Total</b>              | 197,449                       | 100.0      | 290,276                       | 100.0      | 361,202                       | 100.0      |

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The map below illustrates the cities in which properties we were contracted to manage were located and number of projects in each city as of December 31, 2014.



- |                   |                             |                  |
|-------------------|-----------------------------|------------------|
| ■ Southern China  | ■ Eastern and Central China | ■ Northern China |
| 1. Foshan (14)    | 12. Chongqing (1)           | 24. Baotou (2)   |
| 2. Guangzhou (3)  | 13. Hangzhou (22)           | 25. Dalian (1)   |
| 3. Guilin (2)     | 14. Huzhou (2)              | 26. Ordos (2)    |
| 4. Haikou (3)     | 15. Jiaxing (4)             | 27. Tangshan (1) |
| 5. Jiangmen (1)   | 16. Nanchang (1)            |                  |
| 6. Nanning (17)   | 17. Nantong (5)             |                  |
| 7. Qingyuan (2)   | 18. Ningbo (11)             |                  |
| 8. Sanya (5)      | 19. Quzhou (2)              |                  |
| 9. Zhaoqing (2)   | 20. Shaoxing (22)           |                  |
| 10. Zhongshan (1) | 21. Suzhou (6)              |                  |
| 11. Zhuhai (1)    | 22. Wuxi (13)               |                  |
|                   | 23. Xuancheng (3)           |                  |

*Note:* Numbers in brackets represent the number of contracted projects.

## OUR BUSINESS

Our total contracted GFA had grown substantially during the Track Record Period. As of December 31, 2014, the total contracted GFA of the properties reached approximately 31.4 million sq. m. Based on how we generate our fees from the GFA, the status of property delivery, and the nature of different types of properties, we categorize our total contracted GFA into three major types, details of which are set forth below.

|                            |   |
|----------------------------|---|
| <b>Revenue-bearing GFA</b> | GFA of properties that have been delivered, or are ready to be delivered after delivery notice is given to the first residents in such properties, and as a result of which, we charge our clients property management fees according to relevant property management services agreements.                            |
| <b>Undelivered GFA</b>     | GFA of properties that are not ready to be delivered yet, as a result of which, we have not started collecting property management fees.  |
| <b>Common area GFA</b>     | GFA of the common area of the properties we manage, including visitor parking lots, swimming pools, advertisement bulletin boards and club houses, to which we charge fees for our related services. This GFA includes GFA of properties that have been delivered as well as properties that have not been delivered. |

The table below sets forth the total contracted GFA and the number of residential properties and non-residential properties in different regions in the PRC, as well as revenue-bearing GFA, undelivered GFA and common area GFA, as of the dates indicated.

|   | As of December 31,               |              |                                  |              |                                  |              |
|---|----------------------------------|--------------|----------------------------------|--------------|----------------------------------|--------------|
|   | 2012                             |              | 2013                             |              | 2014                             |              |
|   | <i>(sq. m.<br/>in thousands)</i> | <i>(No.)</i> | <i>(sq. m.<br/>in thousands)</i> | <i>(No.)</i> | <i>(sq. m.<br/>in thousands)</i> | <i>(No.)</i> |
| <b>Total Contracted GFA<sup>(4)</sup></b> |                                  |              |                                  |              |                                  |              |
| <i>Residential properties</i>             |                                  |              |                                  |              |                                  |              |
| Eastern and Central China <sup>(1)</sup>  | 12,634                           | 77           | 14,458                           | 84           | 15,997                           | 88           |
| Southern China <sup>(2)</sup>             | 10,770                           | 40           | 12,286                           | 46           | 13,028                           | 49           |
| Northern China <sup>(3)</sup>             | 1,870                            | 6            | 1,870                            | 6            | 1,870                            | 6            |
| <b>Subtotal</b>                           | 25,274                           | 123          | 28,614                           | 136          | 30,895                           | 143          |
| <i>Non-residential properties</i>         | 372                              | 5            | 557                              | 7            | 494                              | 6            |
| <b>Total</b>                              | 25,646                           | 128          | 29,171                           | 143          | 31,389                           | 149          |

## OUR BUSINESS

|  | As of December 31,               |                                  |                                  |
|--|----------------------------------|----------------------------------|----------------------------------|
|  | 2012                             | 2013                             | 2014                             |
|  | <i>(sq. m.<br/>in thousands)</i> | <i>(sq. m.<br/>in thousands)</i> | <i>(sq. m.<br/>in thousands)</i> |
| <b>Revenue-bearing GFA<sup>(5)</sup></b> |                                  |                                  |                                  |
| <i>Residential properties</i>            |                                  |                                  |                                  |
| Eastern and Central China <sup>(1)</sup> | 4,680                            | 5,688                            | 6,646                            |
| Southern China <sup>(2)</sup>            | 2,765                            | 3,845                            | 5,249                            |
| Northern China <sup>(3)</sup>            | 238                              | 254                              | 568                              |
| <b>Subtotal</b>                          | 7,683                            | 9,787                            | 12,463                           |
| <i>Non-residential properties</i>        | 36                               | 152                              | 138                              |
| <b>Total</b>                             | 7,719                            | 9,939                            | 12,601                           |
| <b>Undelivered GFA<sup>(6)</sup></b>     |                                  |                                  |                                  |
| <i>Residential properties</i>            |                                  |                                  |                                  |
| Eastern and Central China <sup>(1)</sup> | 8,951                            | 5,416                            | 5,651                            |
| Southern China <sup>(2)</sup>            | 3,725                            | 4,056                            | 4,658                            |
| Northern China <sup>(3)</sup>            | 663                              | 647                              | 333                              |
| <b>Subtotal</b>                          | 13,339                           | 10,119                           | 10,642                           |
| <i>Non-residential properties</i>        | 276                              | 409                              | 356                              |
| <b>Total</b>                             | 13,615                           | 10,528                           | 10,998                           |
| <b>Common area GFA</b>                   | 4,312                            | 8,704                            | 7,790                            |

*Notes:*

- (1) Including Chongqing, Hangzhou, Huzhou Jiaying, Nanchang, Nantong, Ningbo, Quzhou, Shaoxing, Suzhou, Wuxi, Xuancheng.
- (2) Including Foshan, Guangzhou, Guilin, Haikou, Jiangmen, Nanning, Qingyuan, Sanya, Zhaoqing, Zhongshan, Zhuhai.
- (3) Including Baotou, Dalian, Ordos, Tangshan.
- (4) Total contracted GFA equals the sum of revenue-bearing GFA, undelivered GFA and common area GFA (which includes visitor parking lots, swimming pools, advertisement bulletin boards and club houses).
- (5) Revenue-bearing GFA includes contracted GFA in relation to which the collection of property management fees has started when a property has been delivered or is ready to be delivered (this happens when the delivery notice is given to the first group of property owners).
- (6) Undelivered GFA includes contracted GFA in relation to which the collection of property management fees has not started because the relevant property is not ready to be delivered.

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The table below indicates the movement of the total contracted GFA and the number of properties we were contracted to manage during the Track Record Period.

|                                | Year ended December 31,      |                          |                             |                              |                             |                              |
|--------------------------------|------------------------------|--------------------------|-----------------------------|------------------------------|-----------------------------|------------------------------|
|                                | 2012                         |                          | 2013                        |                              | 2014                        |                              |
| <i>Total Contracted GFA</i>    | <i>(sq. m. in thousands)</i> | <i>No. of properties</i> | <i>Total Contracted GFA</i> | <i>(sq. m. in thousands)</i> | <i>Total Contracted GFA</i> | <i>(sq. m. in thousands)</i> |
|                                |                              |                          |                             |                              |                             | <i>No. of properties</i>     |
| As of beginning of period      | 20,167                       | 102                      | 25,645                      | 128                          | 29,171                      | 143                          |
| New engagements <sup>(1)</sup> | 6,619                        | 30                       | 5,005                       | 25                           | 5,005                       | 18                           |
| Acquisitions                   | 361                          | 1                        | 56                          | 1                            | —                           | —                            |
| Terminations <sup>(2)</sup>    | (1,502)                      | (5)                      | (1,535)                     | (11)                         | (2,787)                     | (12)                         |
| <b>As of end of period</b>     | <b><u>25,645</u></b>         | <b><u>128</u></b>        | <b><u>29,171</u></b>        | <b><u>143</u></b>            | <b><u>31,389</u></b>        | <b><u>149</u></b>            |

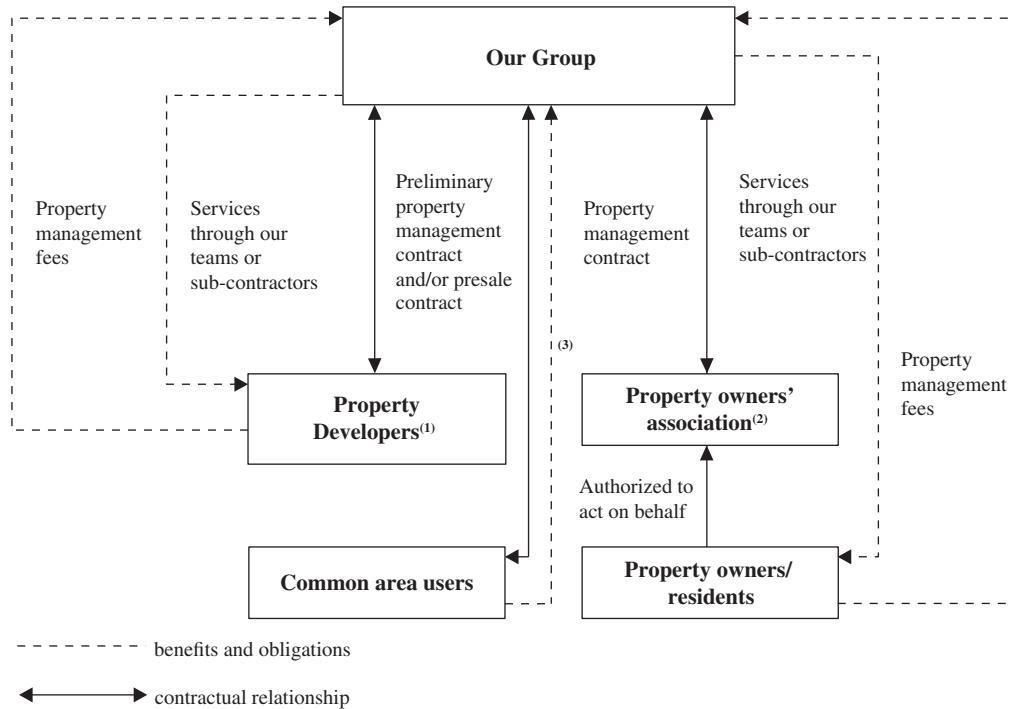
*Notes:*

- (1) In relation to properties 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 properties replacing their previous property management companies.
- (2) Including the contracted GFA and the number of properties we ceased to manage, which were primarily due to non-renewal of certain property management contract and mutual termination prior to expiration for commercial reasons.

## OUR BUSINESS

### Revenue Model of Property Management Business Line

The revenue of our property management business line is primarily generated from property management services charged on a lump sum basis. We also have a limited amount of revenue generated on a commission basis. The chart below illustrates our relationships with various parties when we provide property management services.



**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. Property developers pay property management fees on unsold units in properties that have been delivered or are ready to be delivered until they are sold.
- (2) Property owners' associations can enter into property management contracts on behalf of property owners and such contracts are legally binding on property owners. Property owners pay property management fees on sold units.
- (3) We generate revenue from conducting managing service in respect of common areas including visitor parking lots, swimming pools, advertisement bulletin boards and club houses.

## OUR BUSINESS

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

During the Track Record Period, the revenue of our property management business was primarily generated from property management services charged on a lump sum basis, which is the prevailing model in China. Under a lump sum agreement, we are entitled to retain the full amount of received property management fees on a lump sum basis. 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 properties. If we are able to successfully carry out various measures to drive down our cost of sales and services, we are able to achieve larger profits under lump sum contracts. In addition, under lump sum contracts, we were given the authority to be fully responsible for the management of the property, which grants us the flexibility to fully implement our management systems and provides us with the incentive to offer upgraded services. Such measures above enable us to achieve high client satisfaction which will secure us higher property management fees and new projects in the future.

Before we engage property developers or property owners’ associations in new contracts, we usually conduct financial assessments by evaluating key factors such as projected profitability and collection on an overall basis. The assessment results help us determine whether to accept the engagements. Even though we seek to implement stringent cost control measures and take into account the expected rise of costs when pricing new projects, during the term of the contract, if the amount of property management fee we collect is not sufficient to cover all the expenses incurred, we are generally not entitled to request the property owners’ associations or property developers to pay us the shortfall. For more information, please see the subsection headed “— Property Selection Criteria — Key Contracts under Property Management Business Line.” Instead, we generally seek 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 seek to negotiate with the property developers, the property owners’ associations or relevant counterparties for an increase in property management fees to cover our shortfall upon renewal of contract. There is no assurance that we would succeed in achieving such increase. For more information, please see the section headed “Risk Factors — Risks Relating to Our Business and Industry — We may be subject to losses or our margins may be reduced if we fail to increase our revenue or control our costs in connection with the performance of our property management services on a lump sum basis.”

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

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

During the Track Record Period, we were engaged in two property management contracts under commission basis through an acquisition. Such property management contracts under commission basis represented nil, 0.2% and 0.1% of the total revenue of the property management business line in 2012, 2013 and 2014, respectively. Under those two contracts on a commission basis, we recognize as our revenue a fixed property management commission fee representing ten percent of the property management fees. Please see the section headed “Industry Overview — Property Management Industry in the PRC — Overview of the China Property Management Industry — Business Models of Property Management Industry.” As of the Latest Practicable Date, we were not contracted to any other property management contract on a commission basis.

### *Revenue from ancillary services*

As an ancillary part to our property management services, we may, where applicable, conduct managing service in respect of common areas including the using of visitor parking lots, swimming pools, advertisement bulletin boards and club houses. Under some of our property management contracts, we obtain the authority to manage the common areas and charge service fees as revenue.

### *Revenue from consulting services*

We receive a fixed consulting fee for our consulting service and all costs associated with the performance of consulting services are borne by our customers. We generally charge the related consulting fees prior to the provision of services.

### **Property Selection Criteria**

We impose a stringent set of criteria to strategically determine whether to engage a particular property in order to increase our profit margins. We conduct a feasibility analysis on the target customers’ financial status, profit and cash flow forecast, and any history of non-payment. After collecting all the information on the target properties, we perform data analysis to select the projects with attractive profit margins, higher profile and larger scale project developments. When we bid for new property management contracts, we consider the potential cost savings we can realize via further standardization, centralization and automation within our Group, which helps us lower our proposed property management fees in our bids.

### **Key Contracts under Property Management Business Line**

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



## OUR BUSINESS

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### *Key contractual terms*

Our property management contracts with property developers and property owners’ associations delineate the scope of services to be provided by us. Under these contracts, we are generally responsible for work including cleaning, gardening, security services, repair and maintenance services and butler services. Under some contracts, we are also responsible for ancillary services of conducting managing service in respect of common areas including visitor parking lots, swimming pools, advertisement bulletin boards and club houses. It is sometimes also our duty to set up the annual budgets, service plans and final financial reports. 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. These contracts typically require us to meet certain quality standards published by the International Organization for Standardization, relevant PRC national, provincial or municipal governmental bodies or property management associations. For more information, please see the subsection headed “— Our Suppliers — Sub-contractors.”

In relation to a property managed on a lump sum basis, we are generally responsible for any shortfall resulting from collected management fees being insufficient to cover property management expenses incurred. The property management contracts are typically silent as to the specific mechanisms through which the shortfall may be made up. For more information, please see the section entitled “Risk Factors — Risks Relating to Our Business and Industry — We may be subject to losses or our margins may be reduced if we fail to increase our revenue or control our costs in connection with the performance of our property management services on a lump sum basis.” However, under certain agreements, our property management fees can be increased by a certain amount annually with the purpose of covering the increased costs incurred as a result of the implementation of any laws on minimum wage and the rising of local price level. In addition, if we suffer losses under certain projects, we may elect to terminate such contracts prior to their expiration dates based on mutual consent.

### *Terms specific to contracts with property developers*

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 the property management contracts with property developers, the properties we provide management services to are generally large new properties which will increase our profit without incurring extra costs. The terms of these contracts generally include the following:

- *Rights and obligations of property developers.* We and the property developer jointly conduct the acceptance inspection of the facilities and common areas of the properties according to relevant regulations of the PRC. The property developer is responsible for the construction quality of the properties, supplying an area for our use as management office, and providing us with materials including property blueprints, design-related documents and completion inspection materials.
- *Rights and obligations of property owners.* According to relevant PRC laws and regulations, 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.

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## OUR BUSINESS

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- *Payment of management fees.* So long as no units in a property are ready for delivery to property owners, the property as a whole is regarded as undelivered and the property developer for such property is not responsible for any property management fees. Upon service of delivery notice to the first group of property owners for their residential units in the property, the property as a whole is regarded as ready for delivery. In such event, these initial property owners are responsible for property management fees payable on their units, while the property developers are liable for unsold units or for units not ready for delivery in such property. From time to time, property developers may receive a small discount on the property management fees they are responsible for. In sum, after the residential units in the properties were delivered to property owners, the owners are generally obligated to pay management fees directly to us and our revenue is calculated on a lump sum basis. The contracts typically do not specify the means through which we can seek to collect overdue fees. Typically, we would continuously contact residents or property owners with outstanding property management fees via home visits, text messages, emails, phone calls, and warning notices. If such ordinary collection measures do not succeed, we would take legal actions against such property owners to recover the outstanding payments.
- *Terms and termination.* These preliminary contracts generally do not have a fixed term and provide us with a long-term stable revenue source. During the contractual term, both parties may agree on early termination based on mutual consent. The preliminary contracts will be automatically terminated when the property owners' associations enter into new property management contracts. However, according to PRC laws, the establishment of property owners' associations is subject to certain restrictions, including over 50% of the gross floor area of the property having been sold and delivered or property owners who have moved into the property constituting at least 30% of the total. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any unilateral termination of property management contract before its placement by the contracts with the property owners' associations that caused a material adverse effect on our business, financial position and results of operations. If in the future we choose to terminate contracts, we intend to negotiate with our counterparty over the termination based on mutual consent to minimize legal risks. Parties are typically required to resolve any contractual disputes through negotiations first, failing which the dispute is to be resolved through arbitrations or court proceedings.

### *Specific terms related to contracts with property owners' associations*

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.

- *Rights and obligations of property owners.* As advised by our PRC legal advisors, 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.

## OUR BUSINESS

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According to relevant PRC laws and regulations, 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.

- *Terms and termination.* These contracts generally have duration of one to five years and have terms that are substantially similar to those of the preliminary contracts. Upon expiration, these contracts may be extended, either (i) through a formal contract renewal or (ii) through an automatic contract renewal if specified. 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. Both parties may agree on early termination based on mutual consent. We did not unilaterally terminate any property management contract with property owners’ associations before its expiration date during the Track Record Period and up to the Latest Practicable Date. In the future, we intend to negotiate with our counterparty over the termination based on mutual consent to minimize legal risks.
- *Right to change property management companies.* 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 in accordance with its resolution which would be made if owners representing (i) more than 50% of the total number of units and (ii) more than 50% of the total proprietary GFA of that community approve the resolution. For more information, please see the section headed “Regulations — Legal Regulations 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 headed “Risk Factors — Termination or non-renewal of our property management services by to a significant number of residential properties could have a material adverse effect on our business, financial position and results of operations.”
- *Dispute resolution.* Parties are typically required to resolve any contractual disputes through negotiations first, failing which the dispute is to be resolved through arbitrations or court proceedings.

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### Expiration Schedule for Property Management Contracts

As of December 31, 2014, we were contracted to manage 149 residential properties or non-residential properties. The table below sets forth the expiration schedule of the related property management contracts outstanding as of December 31, 2014 based on their contractual terms and in 2014.

|   | <b>No. of properties and<br/>corresponding contracted<br/>GFA</b> |                                  | <b>Percentage<br/>of total<br/>contracted<br/>GFA</b> |
|---|---|----------------------------------|---|
|   | <i>(No.)</i>  | <i>(sq. m. in<br/>thousands)</i> | <i>(%)</i>  |
| <b>Property management contracts expiring in the</b>              |   |                                  |   |
| Year ending December 31, 2015                                     | 13  | 3,214                            | 10.2  |
| Year ending December 31, 2016                                     | 4   | 809                              | 2.6   |
| Year ending December 31, 2017 and afterwards                      | 4   | 1,207                            | 3.9   |
| <b>Property management contracts without<br/>expiration dates</b> | <u>128</u>  | <u>26,159</u>                    | <u>83.3</u>   |
| <b>Total</b>  | <u>149</u>  | <u>31,389</u>                    | <u>100</u>  |

All of the property management contracts without expiration dates were entered into with property developers and will expire when the respective property owners' associations are formed, since when we shall enter into new property management contracts with the relevant property owner's association. However, according to China Index Academy, the thresholds for residents to establish property owners' association are quite high in practice, where approval is required from owners who own over half of the total GFA of the property in question and from over half of the residents in the property. Given the high thresholds, many properties remain without a property owners' association years after delivery, and it had become a common practice for property developers to enter into preliminary contracts without expiration dates with property management companies to address the possibility that no property owners' association would be established for an extended period of time.

### SALES ASSISTANCE BUSINESS LINE

We provide property developers with cleaning, security and maintenance of their model homes and sales centers and provide general assistance to facilitate the sales process of the properties. The sales assistance services contracts generally have a duration of six to eighteen months and could be terminated prior to the expiration date if all display units have been sold out. In 2012, 2013 and 2014, we provided sales assistance services to 82, 80 and 85 properties, respectively. If our high quality services and expertise during the terms of the sales assistance services contracts enable us to retain most of the property developer clients through entering into new property management contracts, we intend to obtain further businesses from our sales assistance business line.

## **OUR BUSINESS**

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### **Scope of Sales Assistance Services**

In managing this business line, we deploy on-site staffs at the sales center to maintain the conditions of the center and provide timely assistance with basic aspects of the sale process. Our on-site staff assist property developers with their sales activities and are responsible for, among others, reception at sales center, answering queries from potential clients and salesmen, bartending services, cleaning, maintaining the security and order of the sales center and display units and offering trainings to salesmen regarding property management, some of which were subcontracted to third parties. For more information, please see the subsection headed "— Our Suppliers — Sub-contractors."

### **Revenue Model of Sales Assistance Business Line**

We provide sales assistance to property developers from time to time, and we receive fixed fees comprised of commission fee and labor costs for the services provided. From the fees, we pay for mainly labor costs associated with on-site staffs. Therefore we recognize as revenue the full amount of the fees we charged for the provision of sales assistance services, and recognize the costs we incurred in connection with performing our services. In pricing for the sales assistance contracts, we estimate our costs based on the headcount and other expenses, and include 10% to 15% of expected net profit from the projects. Under some sales assistance service contracts, if our services go beyond the scope agreed in the contracts or we are required to deploy additional on-site staff, we are entitled to claim extra commission fees and costs in accordance with relevant contractual terms.

### **Contracts under Sales Assistance Business Line**

From time to time, we may be appointed as the property management company by the property developers at the early stage of the property development. The property developers are responsible for providing offices, office facilities and other necessary support. Upon expiration of the sales assistance services contracts, we normally continue to be appointed as the property management company by entering into preliminary property management contracts with the property developers. Should any contractual disputes arise, parties are typically required to resolve them through negotiations first, failing which the dispute is to be resolved through court proceedings.

## **OUR O2O PLATFORM**

### **Overview**

Capitalizing on our quality services, our standardized and centralized management system and our strategically selected project portfolio generally in the mid to high-end segment, we entered into the community O2O property management business in March 2015. Our O2O platform connects the residents of our managed properties to our on-site service staff led by our butlers and further allows the residents to purchase services and products from us, which are sourced from local merchants, with delivery directly to their houses. We also intend to expand our sources of merchants to national brands.

As of the Latest Practicable Date, we were still in the process of upgrading our O2O platform to expand our range of services and products available. During the Track Record Period, we did not derive any revenue from our O2O business because during the growth phase, we focused on the growth of our user base and user education rather than revenue generation. Our Directors are of the view that the business is in the nascent stage of development and as of the Latest Practicable Date, does not result in

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## OUR BUSINESS

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material changes to our business focus, our cost structure, profit margins and risk profile. For more information, please see the subsection headed “— Our O2O Platform — Key Features of Our O2O Platform.” As advised by our PRC Legal Advisor, as of the Latest Practicable Date, we have obtained all relevant licenses and permits necessary to conduct our O2O business, consisting of enhanced property management services, product and service purchasing services and community social networking services, details of which are set forth in the subsection headed “— Key Features of our O2O Platform” below. Please also see the section headed “Risk Factors — Our online community services, including our O2O platform, may not grow as planned and our investment in the O2O platform involves certain risks.”

As one of the leading independent property management companies with our unique butler services, we believe our O2O model has key advantages over the specialized provider or platform model and O2O operations independent of property management companies. For details on different types of O2O models, please see the section headed “Industry Overview — China Residential Community O2O Industry — Overview of the China Residential Community O2O Industry — Industry Ecosystem and Operating Models.” Unlike specialized providers and platforms that only focus on one or few products or services, our mobile applications offer a broad range of products and services that allows rapid diversification of services and scalability. Moreover, in contrast to pure O2O players, we have on-the-ground property management staff to conduct sales and marketing activities and provide support offline to facilitate services and products from merchants and national brands, serving customers who have gained trust in us over our years of services to them. As of the Latest Practicable Date, there are 122,008 units in the properties under our management, representing a core part of our target customers, and another advantage over pure O2O players.

### **Our O2O Platform and Development Milestones**

During our platform developmental stage, we have developed two O2O mobile applications, Linli Life (鄰里生活) and Aidaojia (愛到家), each for a different city with its own distinct customer preferences on products and services in order to pilot test the applications. Linli Life was developed first through Guangzhou Maiyue in March 2015 to provide basic informational services for the managed properties in Guangzhou.

We subsequently expanded to lifestyle services through our second mobile application, Aidaojia through our wholly-owned subsidiary, Hangzhou Yidao, in June 2015. We have three versions of the Aidaojia application for residents, butlers and merchants separately in order to connect all three through our O2O platform. Through their own versions of the application, butlers and merchants can access information, such as the placed orders and sales volume, available to them only. This product would offer various functions to the registered residents, including purchasing products and services from us and communicating with our butlers. We officially offered services at select properties in Hangzhou that are managed by us in June 2015.

We continue to refine and localize the features and functionalities of each mobile application, and plan to integrate the two applications into one in the future.

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## OUR BUSINESS

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### Key Features of Our O2O Platform

We select functions in our two mobile applications based on our knowledge on the daily habits and needs of relevant residents that we understand through years of experience in delivering property management services. In particular, capitalizing on our butler services model which entails frequent interactions with our residents, we believe we are well-positioned to meet the needs of our residents for those products and services with the highest demand level in designing our mobile applications, which could in turn, improve user engagement by our residents. Over time, we plan to expand our services and eventually cover the wide range of services that are possible on the platform. As of the Latest Practicable Date, we offered to or had tested some of the following functions with our clients through our two mobile applications and plan to offer the rest in the future.

| <u>Category</u>                         | <u>Scope of Services</u>  |
|---|---|
| Enhanced Property Management Services   | <p>We provide or plan to provide the following functions for free:</p> <ul style="list-style-type: none"><li>• Management fee balance inquiry<sup>(1)</sup></li><li>• Management fee bill pay through third-party payment services<sup>(1)</sup></li><li>• Communication with the butlers<sup>(3)</sup></li></ul>   |
| Product and Service Purchasing Services | <p>We provide information regarding local merchants and service providers in relation to the residents' properties.<sup>(2)</sup></p> <p>Through the application interface, the residents would further be able to purchase products and vouchers for certain services from us, sourced from local providers. We would select the merchants and purchase products and vouchers from them. The merchants would go through a screening process to be selected. We plan to offer discounts to the residents for purchases on the platform, and we expect these discounts to accelerate the adoption of our platform by our residents and boost our sales of goods and services on the platform.<sup>(3)</sup></p> <p>We may in the future offer products or services to our residents on our O2O platform directly from nationally recognized brands. To facilitate such function, our butlers will help deliver the products if physical goods are ordered.</p> |
| Community Social Networking Services    | <p>We provide an individual online forum for some of the properties we manage. On the forum, the residents can post information and connect with other residents. The function allows the residents to ask any questions about their properties and discuss with other residents, accomplishing the various purposes of online social groups. Currently the forum's posting privilege is restricted to residents only.<sup>(2)</sup></p>  |

## OUR BUSINESS

### Notes:

- (1) As of the Latest Practicable Date, we temporarily suspended our fee balance inquiry and bill pay services.
- (2) Available in Linli Life as of the Latest Practicable Date.
- (3) Available in Aidaojia as of the Latest Practicable Date.

The following is a screenshot of the consumer version of Aidaojia as of the Latest Practicable Date.



We plan to generate revenue by re-selling products or services to residents on our platform. We plan to expand our platform service offerings and prioritize the services based on user feedback.

We believe our O2O business platform offers comprehensive value proposition to residents, merchants and our butlers, which could successfully distinguish us from other market competitors.

### Value Proposition to Residents

We believe our residents benefit from our O2O platform through:

- convenience and flexibility: for example, our residents may have daily groceries including heavy items such as rice delivered to the door by our butlers with greater flexibility in delivery schedule;



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- better value in the products and services through bulk purchase discounts negotiated by us;
- safe and secured services through (1) the last-mile delivery by our butlers with whom our residents are familiar and (2) the information security and anonymity in dealing with third-party merchants;
- merchant screening, selection and recommendation by our on-the-ground O2O team; and
- targeted and tailored product and service offerings based on insight derived from customer data mining and analysis to better match residents' needs and preferences.

### Value Propositions to Merchants

We expect our O2O platform to offer several value propositions to the merchants, including:

- solutions for the merchants' last-mile delivery issues to customers;
- an increase in merchants' sales with an expanded sales channel focused on their local neighbourhoods; and
- consumer data insight derived from the platform.

### Value Proposition to Butlers

We believe butlers would be an active participant in our O2O business given the financial incentives and higher level of job satisfaction. The butlers' O2O bonus would be linked to the amount of sales they can make from the resident portfolio they manage, directly linked to the ability of butlers to identify the services and products that are desired and demanded by our residents and make recommendations successfully. Moreover, the model provides richer content to their role as butlers through increased responsibilities, including a sales and marketing function and delivery function. This will help them engage more with the residents they serve, develop closer relationships with these residents, and gain a better understanding of their habits and needs. As a result, the butlers will be able to serve the residents better, which is critical to maintaining a high level of job satisfaction.

### Value Proposition to Third-Party Property Management Companies

Similarly, our platform enhances the service quality of third-party property management companies and allows them to command a higher level of customer satisfaction. This is especially important when many property management companies have not developed their own O2O platforms. Therefore, our O2O platform could help these third-party property management companies to improve the revenue and control service quality. We plan to generate revenue by sharing in the profit of the third-party property management companies.

## STANDARDIZATION, CENTRALIZATION AND AUTOMATION

To reduce our reliance on manual labor and enhance our competitiveness, we place great emphasis 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 help us better manage our increasing labor costs.

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We believe standardization allows us to consistently and efficiently replicate our service model in new residential properties that we manage. 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 on-site work status, which we believe would improve operational efficiency and ensure the delivery of consistent and high-quality services. In addition, standardization allows us to establish streamlined management systems and work processes within the Group and integrate our operations, on which we rely to further expand our business nationally through acquisition and make the newly acquired companies operate smoothly under our system.

Furthermore, we believe that centralization and automation help reduce our reliance on intensive labor and enable us to effectively control headcount, which are crucial to our business expansion. For instance, we are able to employ fewer on-site security guards overseeing main access gates to residential properties and visitor parking lots by using surveillance cameras and intrusion detection systems, which are remotely controlled and monitored at our centralized network operations center at our headquarters. The table below sets forth selected initiatives to promote standardization, centralization and automation of our services.

| <b>Year</b> | <b>Initiatives</b>   |
|-------------|--|
| 2008        | We implemented office automation system and Gold Abacus financial management software  |
| 2009        | We adopted the new system named “New Windows” which is a leading software provider in the property management industry and use it to review and approve the work of our employees (ERP)                                    |
| 2009        | We obtained the integrated certification from SGS for ISO9001 quality management system, ISO14001 environment management system and OHSAS18001 occupational health and safety management systems                           |
| 2010        | We set up 400 service hotline platforms and Chairman Mailbox   |
| 2010        | We fully implemented the work management manual setting forth the compulsory tasks to be completed on a daily, monthly, quarterly and semiannually basis   |
| 2012        | We further improved and upgraded internal policies and manuals in relation to ISO9001, ISO14001 and OHSAS18001 standards which further improved our service processes and raised standards of our services                 |
| 2015        | We started to process administrative matters such as attendance record, staff shift arrangement and annual leave application through automatic management of “New Windows”, and to remotely manage our employees’ salaries |

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### OUR CUSTOMERS

The table below sets forth the types of our major customers for each of our two business lines.

| <u>Business line</u>                     | <u>Major customers</u>   |
|--|--|
| <b>Property management business line</b> | Property developers, property owners and property owners' associations |
| <b>Sales assistance business line</b>    | Property developers  |

We have established business relationships with most of our major customers for approximately two to five years. In 2012, 2013 and 2014, our five largest customers accounted for approximately 8.1%, 6.6% and 6.1% of our revenue, respectively, and our largest customer accounted for 2.9%, 2.2% and 1.9% of our revenue, respectively.

We provide property management services to property developers prior to the delivery of the properties and the property owners' associations after such delivery. As a leading independent third party property management company, we provide property management services to various types of properties including high-end residential properties, villas, office buildings, services apartments, commercial properties, schools and science and technology industrial parks. During the Track Record Period, we provided services to customers include reputable national property developers including BJ Capital Land, Wolong Real Estate Group, Poly Real Estate (Group) Co., Ltd. and Luneng Real Estate Development Group.

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 marketing teams based in our headquarters and various locations including Zhejiang, Jiangsu, Hainan and Guangdong, which are responsible for planning and implementing our overall marketing strategies, conducting market research, maintaining relationships with existing clients and exploring high-quality new clients and projects. We generally win new projects through a variety of channels including: (i) new property development projects conducted by existing clients; (ii) business opportunities introduced by real estate agencies; (iii) information in relation to land development or bidding published on the websites of local authorities; and (iv) promotion of our services and our brand to new clients and to new markets. Our company development and research center supervises various regional marketing teams which in turn oversee marketing activities by on-site staff.

To further expand our customer base, we have entered into a non-legally binding strategic collaboration agreement with E-House, which is a leading online-to-offline real estate services company listed on the NYSE. In the agreement, E-House agrees to assist us with expanding our customer base by introducing business opportunities to cooperate with other property developers. Given its extensive network and strong reputation in the real estate e-commerce market, E-House is expected to help us integrate our resources and further develop and promote our business through facilitating the cooperation between property developers and us. In addition, it also consents to assist us with identifying potential

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acquisition targets. We believe that our strategic cooperation relationship with E-House will allow us to access a large pool of new customers and significantly contribute to the development of our business across China.

We also entered into a strategic collaboration agreement with Fangdd. In such agreement, both parties agree to share information in respect of marketing, products and services, client, potential projects and bidding, and competitors, which we expect will provide us with an advantage in winning contracts for newly developed properties.

We believe that our marketing efforts increase the existing clients’ familiarity with our brand and our service capacities, which grants us advantages in competitions for their new projects. In addition, strategic partnerships, relationships with real property agencies and self-promotion facilitate our acquisitions of new clients. In the future, we plan to use our O2O platform offerings to market our property management services and enhance the value proposition we can offer. As we aim to enhance our presence in existing markets and enter into new markets, we plan to expand our marketing team to service the business needs across our business sectors.

### OUR SUPPLIERS

The table below sets forth our major suppliers for each of our two business lines.

| <b>Business line</b>                     | <b>Major suppliers</b>   |
|--|--|
| <b>Property management business line</b> | Dispatch agencies and sub-contractors providing services such as cleaning, gardening and landscaping to the residential properties we manage |
| <b>Sales assistance business line</b>    | Sub-contractors providing services including cleaning and security maintenance services to the sales center and the properties for sale      |

Our major suppliers are dispatch agencies and sub-contractors providing relevant services for our property management and sales assistance business lines (please see “Our Business — Employees”). We have established business relationships with most of our major suppliers for two to three years. In 2012, 2013 and 2014, our five largest suppliers accounted for approximately 73.5%, 76.1% and 79.5% of our total purchases, respectively, and our largest supplier accounted for 64.3%, 48.1% and 66.4% of our total purchases, respectively. “Total purchases” is defined as consisting of dispatch costs and sub-contracting costs. During the Track Record Period, our largest supplier is our dispatch agency. However, due to the recent regulatory limit on the percentage of dispatch workers, we expect our largest supplier in the future to be sub-contractors. During the Track Record Period, we did not experience any material delay in receiving products or services from our suppliers or encounter any material disputes with our suppliers. For more information, please see section headed “Risk Factors — Risks relating to Our Business and Industry — We depended on dispatch agencies and rely on third-party sub-contractors to perform certain property management services.”

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.

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### Dispatch Agencies

During the Track Record Period, we deployed a large number of dispatch workers in order to lower our costs and improve efficiency. As of December 31, 2014, we had 3,536 dispatch workers primarily providing basic property management services. We only maintained contractual relationship with one dispatch worker agency at any given time during the Track Record Period. We do not believe it posed significant risks on our business due to the legal protection afforded to us through the contract we entered into with such dispatch agencies. Furthermore, we believe our cooperative partnership with an agency was mutually beneficial and conferred several benefits including lower costs through our stronger bargaining power and a stable business relationship to ensure continuity and quality of services. Due to the large number of dispatch agencies and sub-contractors in the labor market and the high volume of our demand, we believe that we would be able to easily secure a different dispatch agency or sub-contractor, and as such, termination with a dispatch worker agency or sub-contractor would not materially affect our operations. For example, in 2013, we changed our dispatch worker agency while successfully retaining approximately 67% of the dispatch workers working for us during the transition period by working closely with those two dispatch agencies to transfer the dispatch workers' employment contracts accordingly. At the end of 2014, we terminated the dispatch arrangements with relevant agency in accordance with regulatory requirements and adopted a sub-contracting arrangement with a single contractor while successfully retaining approximately 74% of the dispatch workers working for us. Such new sub-contracting agreement has a valid period of two years until December 31, 2016, the sub-contractor should provide us with an adequate number of personnel with relevant experience and proper training. We do not intend to have a dispatch worker arrangement with third-party agencies in the future but choose to utilize sub-contracting arrangements to improve our work efficiency.

### Sub-contractors

In order to lower costs and improve work efficiency, we outsource highly standard and labor intensive work to professional third-party companies, which enables us to focus more resources to develop value-added services. During the Track Record Period, we delegated certain property management services, such as cleaning, gardening services, security services, in part to qualified third-party sub-contractors, which to our best knowledge and belief, are independent third parties. In 2012, 2013, 2014, our sub-contracting fees to our third-party sub-contractors constituted 21.7%, 23.0% and 24.1% of the cost of sales and service, respectively. We continuously 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. We aim to create and maintain an effective and comprehensive system for sub-contractor management.

To ensure the overall quality of our work, we have maintained a list of third-party sub-contractors, the selection of which are based on factors, including having the required licenses, previous job references, reputation in the industry, past track records, price competitiveness, and the assessment results of their onsite inspections. For more information, please see subsection headed "— Quality Control — Quality Control over Third-Party Sub-contractors."

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A typical sub-contracting agreement entered into between our sub-contractor and us for a term of one to two years and generally includes the following material terms:

- scope of work and sub-contracting rates;
- 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 work without approval;
- damages to be payable by our sub-contractor if the sub-contractor fails to fulfill its contractual obligation during the specified contract term;
- a credit term of 10 to 15 days;
- compliance with the relevant safety rules and regulations in connection with the work; 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.

We believe it is an industry practice in China for property management service providers to engage sub-contractor and/or dispatch agency to hire staff for its operations.

Going forward, we may choose to reduce our reliance on our sub-contractors for better control on quality of our services while controlling relevant costs when we deem appropriate through following measures, such as hire more suitable employees directly, checking fee quotes from more candidate sub-contractors and improve our management to reduce the number of staff we need for conducting relevant work.

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. Most of our major suppliers have had business relationships with us for two to three years.

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### ACQUISITIONS

We expand through both organic growth and acquisitions of regional residential property management companies. 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                    | Closing date <sup>(1)</sup> | Equity interest acquired <sup>(2)</sup><br><i>(RMB in thousands)</i> | Consideration<br><i>(RMB in thousands)</i> | Geographical location | Contracted GFA <sup>(2)</sup><br><i>(sq. m. in thousands)</i> | No. of properties <sup>(2)</sup> | Type of property <sup>(2)</sup> |
|---|-----------------------------|--|--|-----------------------|---|----------------------------------|---------------------------------|
| <b>For the year ended December 31, 2012</b> |                             |  |  |                       |   |                                  |                                 |
| Hangzhou Lvdu                               | August 1, 2012              | 100%   | 0,001                                      | Xiaoshan, Hangzhou    | 361   | 1                                | Residential                     |
| <b>For the year ended December 31, 2013</b> |                             |  |  |                       |   |                                  |                                 |
| Hangzhou Huachang                           | August 1, 2013              | 100%   | 1,000                                      | Yuhang, Hangzhou      | 56  | 1                                | Residential                     |

*Notes:*

- (1) Closing date refers to the acquisition date for accounting purpose used for our financial statements. See note 33 of the Accountants’ Report in Appendix I to this document.
- (2) As of the respective acquisition dates stated above.

### Target Identification and Evaluation

We identify potential acquisition targets through our familiarity with the industry landscape. We intend to seek targets that can satisfy the following conditions:

- having contracted GFA of more than 100,000 sq. m. (for residential property project) or 30,000 sq. m. (for non-residential property projects);
- contracted to manage newly developed and large scale properties and charge higher property management fees;
- managing properties that are in good conditions, geographically concentrated and suitable for implementing our business model and strategies; and
- with no material legal defects or obstacles.

In order to expand the presence of our business to new areas at a lower cost, we also plan to acquire unprofitable property management companies affiliated to property developers together with all of their projects.

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;

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- business licenses and qualification certificates;
- management accounts and audited financial statements;
- indebtedness; and
- documents detailing the target’s property management fee arrangements.

We also retain independent third-party accounting firms to perform financial due diligence and audits on acquisitions targets. In addition, we conduct 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. We have been actively seeking potential targets, but as of the Latest Practicable Date, we had not identified any particular acquisition target.

### Post-acquisition Assessment

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

- establishing a financial budget and key performance indicators, such as projected net income from the property management business line of the newly acquired target;
- a staffing plan; and
- implementation of our standardization, centralization and automation measures.

We assess the progress of each property as measured against these goals on a monthly basis, and implement remedial measures if deficiencies are found.

### 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 longer track records and greater financial and other resources, greater brand 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 and service quality. Moreover, as local merchants advertise on our service platform, we also face competition from other advertising venues, such as e-commerce businesses.

We believe that the standardization, centralization and automation of the property management business model help us reduce costs and improve on-site staff’s efficiency. For more information, please see the sections headed “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 — Competitive Landscape of the Property Management Industry in the PRC.”



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While according to China Index Academy, the entry barrier is not high, 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, the Group was qualified as first class property management company, and two of our operating subsidiaries were qualified as 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 headed “Regulations — Legal Regulations over the Property Management Sector in the PRC — The Qualification of Property Management Enterprises.”

The residential community O2O is highly fragmented and is currently in an early stage of development. The players in the market offer a wide range of O2O platforms, which indicates that the industry still lacks proper standards and sufficient market education. According to iResearch Consulting Group there is no clear market leader or leading standards yet. In the growth phase of the industry, property management companies are well-positioned to compete against other pure O2O players. For more information, please see the section headed “Industry Overview — Competitive Landscape of the Residential Community O2O Industry in the PRC.”

### INFORMATION TECHNOLOGY

As of the Latest Practicable Date, our information technology department had 18 staff members. Our information technology department is responsible for the maintenance and update of our office management system (for centralized management of our property management business line), repair and maintenance of our website and the establishment and operation of our ERP system.

We also maintain a research and development team of 14 employees to develop our O2O platform. For more information, please see the subsection headed “— Our O2O platform.”

We have established human resources management system with the functions of facial recognition and fingerprint recognition which enables us to efficiently manage functions such as attendance records, personnel changes and salary calculation. In the future, we are exploring increasing investment to develop the customer relationship management system and remote surveillance system to further streamline our standardization, centralization and automation.

### INTELLECTUAL PROPERTY RIGHTS

Our intellectual property rights are key components to our strong brand recognition and an integral part of our business. We consider our intellectual properties, and in particular, our copyrights over our O2O platform and program codes, are crucial business assets, key to customer loyalty and essential to our future growth. As of the Latest Practicable Date, we have registered 11 trademarks in the PRC and are in the process of applying for the registration of nine trademarks in the PRC and nine trademarks in Hong Kong. We have also registered nine domain names. For more information, please see the section headed “Statutory and General Information — 5. Further Information About Our Business — B. Our Intellectual Property Rights” in Appendix IV to this document.

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.

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### EMPLOYEES

We employed approximately 821 full-time employees as of December 31, 2014. We also outsource part of the labor-intensive and standard work, such as cleaning, gardening and security guarding to third-party sub-contractors and dispatch workers. As of December 31, 2014, we had 3,536 dispatch workers. Due to changes in PRC law that requires the number of dispatch workers to be no more than 10% of the total number of workers, the number of our dispatch workers is expected to decrease in 2015 and we expect to have correspondingly more sub-contractors. A breakdown of our employees and dispatch workers by function as of December 31, 2014 is set forth below.

| <b>Function</b>              | <b>No. of employees</b> | <b>No. of dispatch workers</b> |
|------------------------------|-------------------------|--------------------------------|
| Security, Cleaning and other | 260                     | 2,537                          |
| Butlers                      | 158                     | 573                            |
| Engineering and Technical    | 111                     | 259                            |
| Operation                    | 116                     | 138                            |
| Sales & Marketing            | 18                      | 29                             |
| Quality Control              | 6                       | —                              |
| Customers Services           | 9                       | —                              |
| Legal & Accounting           | 65                      | —                              |
| Administration               | 76                      | —                              |
| Internal Control             | 2                       | —                              |
| <b>Total</b>                 | <b>821</b>              | <b>3,536</b>                   |

A breakdown of our employees by geographic areas as of December 31, 2014 is set forth below.

|                           | <b>Headquarters and regional offices</b> | <b>On-site staff</b> |
|---------------------------|--|----------------------|
| Southern China            | 71                                       | 328                  |
| Eastern and Central China | 72                                       | 292                  |
| Northern China            | 2  | 56                   |
| <b>Total</b>              | <b>145</b>                               | <b>676</b>           |

We enter into individual employment contracts with our employees covering matters such as work location, scope of work, work hours, wages, employee benefits, safety 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 two years.

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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.

During the Track Record Period, we typically enter into less than two years agreements with dispatch agents regarding the services of the dispatch workers. The relevant agreements stipulate the service fees, scope of services, service location and service duration with respect to the dispatch workers. We must provide the dispatch workers with a safe work environment and protective and safety equipment in accordance with the relevant agreements, and we reserve the rights to request for replacement of any dispatch workers that fail our required standards. Dispatch workers enter into labor contracts with the relevant dispatch agencies. We do not enter into labor contracts with the dispatch workers. The dispatch agents are responsible for the relevant costs of the social insurance or employee benefits to the dispatch employees. Although we are under no statutory obligation to make social insurance contributions in relation to the dispatch workers based on our agreements we entered into during the Track Record Period and the written confirmation from relevant PRC authorities, we may be jointly liable for any claims brought by the dispatch workers if the dispatch agencies fail to do so. However, we would be entitled to seek indemnification from the dispatch agencies in such cases.

According to the Interim Provisions promulgated by the Ministry of Human Resources and Social Security of the PRC on January 24, 2014 and implemented on March 1, 2014, the number of dispatch workers used by an employer shall not exceed 10% of the total number of its employees and dispatch workers. The Interim Provisions grant a two-year transition period for companies to reduce the use of dispatch workers to satisfy the 10% requirement. We have terminated the dispatch arrangements with relevant agency and adopted a sub-contracting arrangement in 2015, and we have successfully controlled the percentage of our dispatch workers below the level required by the Interim Provisions. As advised by our PRC legal advisors, the risk for us to be subject to penalties in accordance with relevant PRC laws and regulations in relation to our use of dispatch workers for the Track Record Period is highly remote, and the Interim Provisions do not specify any penalty for exceeding the 10% specified limit. For more information, please see the section headed "Risk Factors — Risks Relating to Our Business and Industry — We depended on dispatch agencies and rely on third-party sub-contractors to perform certain property management services."

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

We believe that quality of services is one of our strengths to establish a solid foundation for our business. We conduct internal inspection and external inspection regularly to keep the standard of our service. As of December 31, 2014, our quality control committee consisted of seven staff members mainly focused on, among others, setting up quality standards, work flow charts and inspection schedule, initiating quality inspection and control, supervising and reviewing performance. Our quality control committee is led directly by the board of directors of the Company, and consists of the directors'

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office, the auditing management center, the financials management center, human resources administration center and the quality control center. Our quality control team has an average of ten years of relevant industry experience.

### **Work Management Manual**

We have developed and fully implemented a set of work management manuals, which have been prepared specifically according to the duties of each category of the key position within the Company. By setting forth the compulsory tasks to be completed on a daily, monthly, quarterly and semiannually basis, the work management manuals guide our employees to complete high quality work within a scientific time frame. The manuals also facilitate the quality control system by setting a unified standard for each category of employees. In addition, the performance result evaluated based on the work management manuals affects the amount of the bonus an employee can receive at the end of the year, which provides incentives for the Company to keep improving the quality of our services.

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

We require our employees and the third-party sub-contractors we engage to strictly observe our quality standards. We are certified under ISO 9001 for the quality of our property management services. Our headquarters has a 400 service hotline, WeChat platform and Chairman Mailbox to answer residents' concerns and complaints, which subsequently are dealt with through our centralized reporting and quality control system. We value and proactively seek residents' feedback and evaluations for our service. Our on-site staff members actively solicit feedback from the residents and routinely inspect building structures and hardware at the residential properties to identify potential issues.

### **Quality Control over Third-Party Sub-Contractors**

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. The sub-contracting was granted through bidding process followed with well-established bidding guidelines and procedures.

After we engage the relevant sub-contractors, we set up detailed schedules, work flow charts and quality standards for them to follow for each of our major services, such as cleaning and gardening. For example, with respect to cleaning services, our schedule sets forth specific service performance time, locations to be cleaned and tasks to be performed. We conduct multi-level inspections, including daily, weekly and monthly inspections with the third-party sub-contractor's person-in-charge, to ensure the quality of the cleaning work performed by the third-party sub-contractors. Accordingly to our cleaning workflow chart, the contracted worker must show up at the identified location at the designated time, and the cleaning work must be conducted based upon our quality standard.

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.

Since some of our butlers are third-party sub-contractors and the quality of our butler services is critical to our customer satisfaction, we impose a strict set of obligations and standards on the sub-contractors for our butlers. In our agreement with the sub-contractors, we outlined key standards and

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criteria for three different levels of butlers. The butlers are required to meet several criteria, such as a minimum education level of a college degree for mid to high level butlers, relevant industry experience, more than five years of property management experiences for high level butlers, strong knowledge about the industry, strong teamwork skills, and other soft skills. In the event that the sub-contractor personnel do not meet the standards set forth, we may provide a notice to rectify the deficiencies, and if the sub-contractor refuses or fails to rectify, we are entitled to deduct relevant amount from the sub-contractor fees. Through this contractual arrangement, we are able to ensure the quality of the third-party contractor butlers. In addition, we provide extensive training to our butlers to further enhance the quality of our services. For more information, please see the subsection headed “— Property Management Business Line — Scope of Services — Property Management Services — Butler Services.”

### **Internal Regulations on Complaint Management**

During our ordinary course of business, from time to time, we receive complaints from our residents. We have established detailed complaint management system to handle all complaints in a timely manner. Upon receiving complaints, our employees are required to approach the complainant to understand the situation and solve the problem. The relevant employee will visit the concerned site to resolve the issue when necessary.

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. For more information, please see the section headed “Risk Factors — Risks relating to Our Business and Industry — We may be involved in legal and other disputes and claims arising out of our operations from time to time.”

### **Centralized Reporting and Quality Control System**

District managers report important issues to the quality control committee. The quality control committee holds an operation meeting on a daily basis to discuss the status and solutions to the issues. Important issues are regularly followed-up in daily operation meeting. This centralized reporting and quality control system is intended to uphold the quality standard of services.

We have developed an internal-use mobile application to facilitate reporting and communication between different levels within the Company. This mobile application allows top-down communication from the headquarters to assign quality control tasks and projects to satellite offices. The system also allows bottom-up communication, where the on-site staff or satellite offices could report to the headquarters, the completion status on a timely basis.

### **Regular On-Site Inspection by District Staff**

Our on-site property officers are assigned to perform on-site inspection on a regular basis as a control measure to ensure that the property management services are performed according to the standard checklist. The on-site inspection covers (i) the performance of the security staff; (ii) the condition of public areas; (iii) the status of collection of the monthly property management fees; and (iv) the progress and safety of the repair work as applicable. In addition, the responsible district managers double-check the condition of the properties and follow-up important issues.

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## OUR BUSINESS

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We employ various sets of internal quality standards to facilitate our on-site management. Such quality standards permit inspection of the site for quality control purposes.

### **Actively Seeking Clients’ Feedback and Evaluations to Our Service**

Clients’ feedback and evaluations are crucial for us to improve the quality of our services. We regularly visit selected property developers and residents to seek for their views on our work. To understand the residents’ demands, we also frequently hold meetings with them. In addition, we conduct surveys of property developers’ satisfaction levels of our overall services. Then we will summarize and analyze the key issues concerning our clients and devise solutions.

### ***400 Service Hotline***

In order to provide a better customer experience and enhance our customer service, we offer a 400 service hotline for residents living in the residential properties we manage. Through the hotline, our customers can inquire about our services, 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.

### ***WeChat Platform and Chairman Mailbox***

We have additionally set up WeChat platform and Chairman Mailbox to serve as additional channels of communication and to better serve our customers. Our customers and employees can directly write to the chairman of the Company to deliver their complaints and suggestions to our senior management, who will pay close attention to such issues and follow up on such issue.

## **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.

| <b>Year</b> | <b>Award/recognition</b>   | <b>Awarding Entity</b>                                |
|-------------|--|---|
| 2009–2014   | China Top 100 Property Management Companies<br>(中國物業服務百強企業); Ranked ninth in 2014  | China Index Academy<br>(中國指數研究院)                      |
|             |  | China Real Estate Top 10 Research<br>(中國房地產Top 10研究組) |
| 2011, 2014  | 2011 & 2014 China Top 10 Property Management<br>Company with the Highest Customer Satisfactory<br>(2011年及2014年中國物業服務百強滿意度領先企業) | China Real Estate Top 10 Research<br>(中國房地產Top 10研究組) |

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| Year       | Award/recognition   | Awarding Entity  |
|------------|---|--|
| 2012–2014  | 2012–2014 China Leading Specialty Property Management Enterprises (2012年至2014年中國特色物業服務領先企業)                                   | China Index Academy<br>(中國指數研究院) (2012)                              |
|            |   | China Real Estate Top 10 Research<br>(中國房地產Top 10研究組)<br>(2013–2014) |
| 2011       | 2011 30th Anniversary of Reform and Development of Property Management — Overall Strength Top 100 (2011年物業管理改革發展三十週年綜合實力百強企業) | China Property Management Institute (中國物業管理協會)                       |
| 2013       | Ranked 10th in 2013 among Top 200 Property Management Companies by Overall Strength (2013年物業管理綜合實力Top 200企業第十位)               | China Property Management Institute (中國物業管理協會)                       |
| 2013       | Ranked fourth in 2013 among Top 100 Property Management Companies by Management Scale (2013年管理規模Top 100企業排名第四位)               | China Property Management Institute (中國物業管理協會)                       |
| 2013       | 2013 Leading Company in Market-oriented Operation in Property Management Industry (2013年中國物業服務行業市場化運營領先企業)                    | China Real Estate Top 10 Research<br>(中國房地產Top 10研究組)                |
| 2012, 2013 | 2012 & 2013 Top 10 Property Management Companies by Overall Development (2012年及2013年中國物業服務百強企業成長性十強)                          | China Index Academy<br>(中國指數研究院) (2012)                              |
|            |   | China Real Estate Top 10 Research<br>(中國房地產Top 10研究組)<br>(2013)      |

China Index Academy and China Real Estate Top 10 Research based their review of overall strength of property management companies by taking into consideration of various factors, including the operation size, total assets, number of properties under management, the aggregate area under management, business network coverage, financial performance, service quality, development potential and social responsibility. For details of the methodology, please see the section headed “Industry — Property Management Industry in the PRC — China Index Academy and Its Methodology.”

## **OUR BUSINESS**

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### **INSURANCE**

We have purchased public liability insurance for the majority of the properties we manage and employer liability insurance for our on-site staff. We generally require our sub-contractors to purchase relevant 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. For more information, please see the section headed "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."

### **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. 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 laws and regulations 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. For more information, please see subsection headed "— 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.



## OUR BUSINESS

### QUALIFICATIONS AND LICENSES

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

| Recipient         | Qualifications/Certificates/Licenses                         | Granting organization<br>or authority                                | Validity period                             |
|-------------------|--|--|---|
| Zhong Ao Property | ISO 9001:2008 quality management system                      | HKQAA  | From May 28, 2015 to May 27, 2018           |
| Zhong Ao Property | ISO 14001 environmental management system                    | HKQAA  | From May 28, 2015 to May 27, 2018           |
| Zhong Ao Property | OHSAS18001 occupational health and safety management systems | HKQAA  | From May 28, 2015 to May 27, 2018           |
| Zhong Ao Property | Property Management Qualification Certificate (Level One)    | Ministry of Housing and Urban-Rural Development of the PRC           | N/A   |
| Zhong Ao Property | Real Estate Agent Qualification                              | Guangzhou Municipal Land Resources and Housing Administrative Bureau | From January 1, 2015 to December 31, 2015   |
| Hangzhou Lvdu     | Property Management Qualification Certificate (Level Three)  | Hangzhou Housing Security and Management Bureau                      | From May 8, 2015 to May 8, 2016             |
| Hangzhou Huachang | Property Management Qualification Certificate (Level Three)  | Hangzhou Housing Security and Management Bureau                      | From November 8, 2013 to September 20, 2015 |

### PROPERTIES

As of the Latest Practicable Date, we owned three properties in Hangzhou, Zhejiang and Qingyuan Guangdong, with a floor area of approximately 574 sq. m., which was used as employee quarters or registered office. The table below sets forth details of our owned properties.

| No. | Owned Property  | GFA<br>(sq. m.) |
|-----|---|-----------------|
| 1.  | Room 2901, Unit 4, Block 4, Xiafeng Garden, Geya Apartment, Wenyan town, Xiaoshan District, Hangzhou, Zhejiang                          | 292             |
| 2.  | Room 2202, Unit 1, Block 3, Dachengmingzuo, Xiaoshan Economic and Technological Development Zone, Xiaoshan District, Hangzhou, Zhejiang | 165             |
| 3.  | No. 02, 4th floor, Block 5, Qingyuan Aoyuan Madrid, 1 Dongchenghuanxiao Road, Qingcheng District, Qingyuan, Guangdong                   | 117             |

Our PRC Legal Advisors have confirmed that we have obtained the title certificates for such properties.

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As of the Latest Practicable Date, we also leased 77 properties with a total floor area of approximately 14,315 sq. m. among which 65 leased properties with an aggregate floor area of approximately 13,459 sq. m. were used as our staff quarters and 12 leased properties with an aggregate floor area of 856 sq. m. were used as local offices in the PRC. For the years ended December 31, 2012, 2013 and 2014, the aggregate rental costs amounted to RMB0.7 million, RMB1.1 million, and RMB1.2 million, respectively representing approximately 0.4%, 0.5% and 0.4% of the aggregate of our cost of sales and services and administrative expenses, respectively.

All of our lease agreements have not been registered with the relevant PRC governmental authorities, whereas the lessors of 60 out of the 77 leased properties have unproven title. Our PRC legal advisors advised that it is the parties' obligations to register the lease agreements. The unproven title of leased properties and the non-registration of these lease agreements was mainly because of the unavailability of the lessors' title documents. We believe the reasons for the unavailability of the lessors' title documents include the delay of property developers in dividing the overall land title certificate into individual land title certificates for passing to the landowners.

As advised by our PRC legal advisors, the non-registration of our lease agreements may prevent us from enforcing the lease agreement against third parties. If we were required to relocate from these properties due to this risk or due to the lessors' unproven titles over these properties, in view that our leased properties are primarily used as staff quarters, we believe we will be able to find alternative locations nearby without any material disturbances. Although we may incur additional relocation costs therefrom, there will be no material impact on our business or financial condition.

In addition, in view of the usage of our leased properties, our Directors are of the view that the rental costs for the 60 properties with unproven title would not be materially different even if the lessors could provide the property certificates to prove their title.

For the unregistered lease agreements, if the relevant authorities require us to rectify such failure and we fail to do so within a specified time limit, we may be subject to a fine between RMB1,000 and RMB10,000 for each of such lease agreement or such other fine which may be determined by relevant local governmental authorities.

Our Directors are of the view that the above detail in our lease agreements and leased properties will not individually or collectively have any material and adverse effect on our business or operation because (i) our PRC legal advisors confirmed that we can sue under PRC laws against each of the relevant lessor, who is at fault, to recover the costs we incur and losses we suffer as a result of the unproven title; (ii) we have not incurred any material losses and have not been subject to any material adverse change due to the unproven title of such leased properties as of the Latest Practicable Date; (iii) the leased properties are not used for our critical business functions; (iv) the overall rental costs being insignificant; and (v) we believe we are able to relocate in a timely manner at minimum expense.

## OUR BUSINESS

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### LEGAL PROCEEDINGS AND COMPLIANCE

As advised by our PRC legal advisors, we have been in compliance in all material respects with the applicable PRC laws and regulations during the Track Record Period, except as disclosed in the subsection headed "Non-compliance Record." In addition, after consulting with our PRC legal advisors, we believe we have not been subject to material fines or legal actions involving non-compliance with any PRC laws and regulations relating to our business. Save as disclosed in this document, 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.

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.

As of the Latest Practicable Date, we were involved in the following legal or arbitration proceedings pending for decisions:

- In 2014, we were involved in a civil legal proceeding in relation to a fatal accident, where the plaintiff filed a claim against us for being jointly liable for an amount of RMB3.0 million on the basis that we were negligent in managing relevant facilities which allegedly contributed to the death of a person. As of the Latest Practicable Date, this legal proceeding was still undergoing court procedures. Our Directors are of the view that we will not be liable to the claim given that it was an incident of suicide of a non-resident.
- In 2015, we were involved in a labor arbitration in relation to a work place injury dispute, in which the applicant, one of our dispatch workers, claims that the relevant dispatch agency and us should be jointly liable for compensating the claimant for a total amount of RMB645,289.

In addition, in 2014, we received the judgements for two legal proceedings related to fatal accidents, for which we were held liable to compensate the plaintiff in one of the proceedings in the amount of RMB20,000 and jointly liable to provide compensation in the amount of RMB74,611 to the plaintiff in the other proceeding (for which we have a right to counterclaim the other defenders which was our sub-contractor). Save as otherwise disclosed in this document, after consulting our PRC legal advisors, our Directors believe that such legal proceedings or disputes would not have a material adverse effect on our financial position or results of operations. Please also see the section headed "Risk Factors — We may be involved in legal and other disputes and claims arising out of our operations from time to time." Save as otherwise disclosed in this document, 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.

## OUR BUSINESS

### Non-compliance Record

Save as disclosed below, we have 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 forth a summary 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 any material adverse impact on our business, operations and financial condition. In addition, our Controlling Shareholders have agreed to indemnify our Group for all claims, costs, expenses and losses incurred as a result of the non-compliance issues set out below.

| <u>Historical non-compliance</u>   | <u>Reasons for non-compliance</u>   | <u>Legal consequences and potential maximum and other liabilities</u>   | <u>Rectification actions take, provisioning and latest status</u>  |
|--|---|---|--|
| <p>During the Track Record Period, we did not make in full the social insurance fund and housing fund contributions as required under the PRC law. We estimate the outstanding social insurance fund and housing fund contributions (together with the relevant late charges) for 2012, 2013 and 2014 would amount to approximately RMB3.9 million, RMB2.9 million and RMB3.6 million, respectively.</p> | <p>At the relevant time, human resources managers of our subsidiaries were responsible for the administration of our Group's PRC employee social insurance fund and housing fund contributions but they were not familiar with the relevant requirements.</p> | <p>According to the relevant PRC laws and regulations, in respect of outstanding social insurance contributions that accumulated during and after the Track Record Period, we may be liable to a late payment fee equal to 0.05% of the outstanding amount calculated daily from the date the relevant 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.</p> <p>According to the relevant PRC laws and regulations, the relevant housing authorities may order our Group to pay the outstanding housing fund contributions within a prescribed time period. If the housing fund contribution payment is not made within such prescribed time period, we may be subject to an order from the relevant People's court to make such payment.</p> <p>The maximum liability for our failure to make social insurance and housing fund contributions will be the amount of the outstanding contributions and the relevant charges or fine as determined above.</p> <p>As of the Latest Practicable Date, we have not received any notification from the relevant PRC authorities alleging that we had not made full contributions to the social insurance funds or housing funds nor demanding payment or imposing any penalty. In the event that we receive requests from the relevant authorities, we intend to immediately pay the outstanding social insurance fund and housing fund contributions and/or any late charges and/or penalties imposed by the relevant authorities accordingly.</p> | <p>We have arranged payment of social insurance fund and housing fund contributions relating to the salaries paid to the employees in accordance with the relevant PRC laws and regulations to the extent practicable.</p> <p>We have also obtained confirmations from the relevant local authorities for certain branch offices of Zhong Ao Property and our subsidiaries that (i) no administrative penalty has been imposed; and/or (ii) the amount of social insurance fund and housing fund contributions paid for the aforesaid branches/companies during the Track Record Period were in compliance with the respective laws and regulations in relation to the social insurance and housing fund contributions.</p> <p>Our PRC Legal Advisors are of the opinion that the relevant written confirmations were issued by the competent authorities, it is unlikely that such confirmation will be challenged or revoked by higher level authorities and the risk of our Group being pursued or penalized for historical non-compliance during the Track Record Period is remote.</p> <p>As for the branch offices and subsidiaries without the above confirmations, we have made provisions in relation to the outstanding contributions and the related late charges in the total amount of RMB3.9 million, RMB2.9 million and RMB3.6 million in our financial statements in respect of such potential liabilities for 2012, 2013 and 2014, respectively.</p> <p>We plan to establish internal control policy for social insurance fund and housing fund contribution and designate an internal audit officer to enforce the policy and avoid future non-compliance. The human resources department will submit semiannual reports to the audit committee in respect of the status of the social insurance and housing fund contributions.</p> |

## OUR BUSINESS

| Historical non-compliance  | Reasons for non-compliance  | Legal consequences and potential maximum and other liabilities  | Rectification actions take, provisioning and latest status   |
|--|---|---|--|
| <p>During the Track Record Period, Hangzhou Lydu engaged in property management activities without holding an effective enterprise property management qualification certificate.</p> <p>As advised by our PRC Legal Advisors, property management enterprises should hold relevant property management qualification certificate issued by MOHURD and its local authorities to carry out property management activities. For details of the relevant laws and regulations, please see the section headed “Regulations — Legal Regulations over the Property Management Sector in the PRC — The Qualification of Property Management Enterprises.”</p> | <p>It is a historical issue as Hangzhou Lydu did not possess the requisite property management qualification certificate prior to its acquisition by our Group.</p> | <p>According to the relevant PRC laws and regulations, the relevant real estate administrative authority may order Hangzhou Lydu (i) to surrender its income derived from such activities; (ii) to pay a fine of not less than RMB50,000 and not exceeding RMB200,000; and (iii) to pay compensation if any losses caused to the property owners, revenue contributions were immaterial, amounted to approximately 2% of the total revenue of our Group in 2013 and 2014.</p> | <p>Hangzhou Lydu has rectified the situation as of the Latest Practicable Date by obtaining the requisite enterprise property management qualification certificate. Hangzhou Lydu has obtained a written confirmation from the relevant local real estate administrative authority confirming that the authority will not pursue and impose penalties on any historical non-compliance regarding property management activities; and save for the historical non-compliance issues, there were no other breaches, investigation or penalties regarding property management activities.</p> <p>As of the Latest Practicable Date, Hangzhou Lydu was not subject to any penalty for engaging in property management activities without the property management qualification certificate for enterprise.</p> <p>Based on the above, our PRC Legal Advisors are of the opinion that the relevant written confirmation was issued by the competent authorities, it is unlikely that such confirmation will be challenged or revoked by higher level authorities and the risk of Hangzhou Lydu being pursued or penalized for historical non-compliance during the Track Record Period is remote.</p> |

## OUR BUSINESS

| Historical non-compliance  | Reasons for non-compliance   | Legal consequences and potential maximum and other liabilities   | Rectification actions take, provisioning and latest status  |
|--|--|--|---|
| <p>During the Track Record Period, Zhong Ao Property and 30 of its branch offices, Hangzhou Lvdu and Hangzhou Huachang (Haining branch) assigned person-in-charge of property management projects who did not hold the requisite recognized qualification certificate to carry out property management activities.</p> <p>As advised by our PRC Legal Advisors, property management enterprises should engage persons with industrial property management professional qualification certificate issued by MOHURD and its local authorities to carry out property management activities.</p> <p>For details of the relevant laws and regulations, please see the section headed “Regulations — Legal Regulations over the Property Management Sector in the PRC — The Qualification of Property Management Enterprises” and “Regulations — Legal Regulation over the Property Management Sector in the PRC — The Qualification of Personnel Engaged in Property Management.”</p> | <p>During the relevant times, there were various developments in the regulatory requirements in terms of the qualifications that would be recognized and these requirements were not easy to understand and there were differences between different local authorities. In general, our Group had misunderstood that all local authorities would recognize a person if he holds an industry association’s qualification (as this qualification was recognized by the Guangzhou authorities which is where our Group is headquartered).</p> | <p>According to the relevant PRC laws and regulations, the relevant real estate administrative authorities may order the relevant branch offices and entities (i) to cease the property management activities by the unqualified persons; (ii) to pay a fine of not less than RMB50,000 and not exceeding RMB200,000 per branch office; and (iii) to pay compensation of any losses caused to the property owners, in respect of each entity or branch office in breach.</p> | <p>The relevant branch offices and entities have rectified the situation by the re-assignment of staff with the qualifications recognized by the local authorities to be the person-in-charge of the relevant projects and/or filed such personnel change with the relevant authorities.</p> <p>Other than in respect of the Tianjin Metro project managed by Zhong Ao Property and Taicang branch of Zhong Ao Property, the relevant branch offices and entities have obtained either (1) written confirmations from the relevant local real estate administrative authorities, confirming that (i) the authority will not pursue and impose penalties on any historical non-compliance regarding property management activities; and (ii) save for the historical non-compliance issues, there were no other breaches, investigation or penalties regarding property management activities; or (2) written confirmations from local real estate administrative authorities confirming their general compliance (in these cases, the relevant branch office/entity has filed personnel change with the relevant authorities). Based on the above, our PRC Legal Advisors are of the opinion that the relevant written confirmations were issued by the competent authorities, it is unlikely that such confirmations will be challenged or revoked by higher level authorities, and the risk of our Group in respect of those offices and entities being pursued or penalized for historical non-compliance during the Track Record Period is remote.</p> <p>As of the Latest Practicable Date, none of the relevant branch offices and entities (including Tianjin Metro project managed by Zhong Ao Property and Taicang branch of Zhong Ao Property) was subject to any penalty, investigation nor any claims for compensation from property owners.</p> <p>In respect of Tianjin Metro project managed by Zhong Ao Property and Taicang branch of Zhong Ao Property, we have effected the personnel change and are in consultation with the relevant real estate authorities regarding the change. In view of the advice of PRC Legal Advisors and that the maximum penalty in the amount of RMB200,000 for each of them is immaterial and that they have not been subject to any investigation or claims by any authority or property owner, our Directors are of the view that it would not be necessary to make provisions for such amounts in the financial statements and there would not be any material adverse impact on the business, operation or financial condition of our Group should these penalties materialize.</p> |

## OUR BUSINESS

| Historical non-compliance   | Reasons for non-compliance   | Legal consequences and potential maximum and other liabilities   | Rectification actions take, provisioning and latest status  |
|---|--|--|---|
| <p>During the Track Record Period, five branch offices of Zhong Ao Property provided fee-charging parking services without the requisite licenses.</p> <p>As advised by our PRC Legal Advisors, any enterprise engaging in the operation of fee-charging parking lots would need to be licensed as the local regulations may require. For example, certain provinces and cities require the inclusion of “management of parking services” in the business scope in the business license whereas other provinces require additional specific licenses to be obtained for operating public parking lots.</p> <p>For details of the relevant laws and regulations, please see the section headed “Regulations — Legal Regulations over the Property Management Sector in the PRC — Administrations on Parking Lots.”</p> | <p>At the relevant time, our managers of administration department were responsible for the administration of our Group’s licenses but they were not familiar with the various specific legal and regulatory requirements, as the requirements are different in different localities and there are distinctions between the provision of fee-charging parking services to residents (which may not necessarily need to be licensed) and non-residents in some localities. The specific circumstances as to how the parking services were provided made it difficult for our Group to be fully appraised of the exact requirements.</p> | <p>According to the relevant PRC laws and regulations, the local industry and commerce authority may order the surrendering of any income earned from operations of the unlicensed parking services, and impose a fine of not more than RMB500,000 on each of the five branch offices of Zhong Ao Property which was in breach.</p> <p>During the Track Record Period, the incomes that we derived from the provision of fee-charging parking services were less than 2% of our total revenue for each of 2012, 2013 and 2014.</p> | <p>Each of the branch offices of Zhong Ao Property (except for Jiangmen branch, which is applying for renewal of business license with the added business scope) which has been in breach has, as of the Latest Practicable Date, rectified the situation and obtained licenses for the operation of fee-charging parking services or renewed business licenses with “management of parking services” in the business scope of business (as the case may be).</p> <p>As of the Latest Practicable Date, none of the relevant branch offices of Zhong Ao Property has been penalized for the lack of parking services license during the Track Record Period.</p> <p>Based on the above, our PRC Legal Advisors are of the opinion that the risk of the relevant branch offices of Zhong Ao Property (except for Jiangmen branch) being pursued or penalized for the lack of parking services license during the Track Record Period is remote.</p> <p>Further, our PRC Legal Advisors are of the view that there is no foreseeable legal impediment for obtaining the renewed business license for Jiangmen branch. As such, our PRC Legal Advisors are of the opinion that the risk of Jiangmen branch being pursued or published for the lack of parking services license during the Track Record Period is low. On the basis of the view of our PRC Legal Advisors, our Directors are of the view that it would not be necessary to make any provisions in the financial statements of the possible liabilities of Jiangmen branch of Zhong Ao Property.</p> |
| <p>During the Track Record Period, nine branch offices of Zhong Ao Property in Guangdong province engaged in the maintenance of safety technology systems without the requisite certificates.</p> <p>For details of the relevant laws and regulations, please see the section headed “Regulations — Legal Regulations over Enterprises Engaged in Repair and Maintenance Services in the PRC.”</p>  | <p>At the relevant time, our managers of administration department were responsible for the administration of our Group’s licenses but they were not familiar with the relevant legal and regulatory requirements.</p>   | <p>According to the relevant PRC laws and regulations, the relevant local public security authorities may order the surrendering of any income earned from the unlicensed operations, and impose a fine of not less than RMB10,000 and not more than RMB30,000 in respect of each entity or the nine branch office in breach. During the Track Record Period, we did not derive any specific income from the provision of maintenance services for safety technology systems.</p>  | <p>Each of the branch offices of Zhong Ao Property without safety technology certificate has ceased its operations relating to safety technology systems and security services and Zhong Ao Property has outsourced such services to qualified third-party sub-contractors and the additional annual contracting fees to be incurred by us are insignificant.</p> <p>For details of sub-contracting, please see the subsection headed “— Our Suppliers — Sub-contractors.”</p> <p>As of the Latest Practicable Date, none of the relevant branch offices of Zhong Ao Property was subject to any penalty for the lack of the certificate for engaging in the maintenance of safety technology systems during the Track Record Period.</p> <p>In view that the maximum penalty in the amount of RMB30,000 for each of the relevant branches is immaterial and that they have not been subject to any investigation or claims by any administrative authority, our Directors are of the view that it would not be necessary to make provisions for such amounts in the financial statements and there would not be any material negative impact on the business, operation or financial condition of our Group should these penalties materialize.</p>  |

## OUR BUSINESS

| Historical non-compliance   | Reasons for non-compliance  | Legal consequences and potential maximum and other liabilities  | Rectification actions take, provisioning and latest status   |
|---|---|---|--|
| <p>All of the 77 lease agreements of our leased properties in the PRC have not been registered with the relevant PRC governmental authorities.</p> <p>For details of our leased properties, please refer to the section headed “Our Business — Properties”.</p> | <p>The lessors have not been cooperative in completing lease registration procedures or the lessors have not produced proper title certificates to prove title.</p> | <p>According to relevant PRC laws and regulations, the relevant authorities may impose a fine of not less than RMB1,000 and up to RMB10,000 for the non-registration of each lease agreement if the lessors and us cannot rectify such non-compliance within the time prescribed by the relevant authorities.</p> | <p>As these leased properties are primarily used as staff quarters, in the event that we are required by relevant authorities to rectify the non-compliance with lease registration procedures, we intend to find alternative locations nearby and relocate without causing any material disturbances. Although we may incur additional relocation costs, our Directors believe that there will not be material impact on our business, operation or financial condition.</p> <p>We will send out reminders to the lessors of the relevant leased properties to request them to complete the filing and registration procedures; however, as we have no control of our lessors, we cannot estimate the time it will take for our lessors to complete the filing and registration procedures.</p> <p>In view of the immaterial amount of the possible maximum fine and, as advised by our PRC Legal Advisers, we would have a right to sue against the lessors who are at fault to recover our losses, our Directors do not consider it necessary to make provisions in our financial statements to reflect these possible liabilities.</p> |



## OUR BUSINESS

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### Internal Control, Risk Management and Corporate Governance

As is commonly the case, in preparation for the [REDACTED], we have engaged an external internal control advisory firm to carry out a review according to the agreed scope, which covers (i) entity-level controls and business process controls over financial closing and reporting, sales, purchases, treasury, and general information technology controls; and (ii) a report to our Company on factual findings and recommendations for improvements of internal controls over the abovementioned processes and procedures.

The external advisory firm’s key findings and recommendations for improvements of internal controls over the abovementioned processes and procedures are related to, amongst others, (i) the formalisation of certain policies and procedures for the above mentioned processes and procedures; and (ii) the establishment and implementation of independent review and/or approval of purchases, transactions relating to inventory, and financial closing and reporting. Subsequently, the same external advisory firm was also engaged to perform a follow-up review of the action plans, which were designed and implemented by our management, in remediating the findings. The results of the follow-up review conducted revealed that all of the management action plans have been implemented by our Company as of the Latest Practicable Date, and there was no further material finding from this follow-up review.

Additionally, we have adopted policies and measures to effectively record and monitor our expenses and payments, including the following:

- we have established internal approval policies regarding the signing of contracts or purchase orders. Authorizations for payments will be 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;
- 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
- 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 filings.

We have established a set of risk management policies and measures to identify, evaluate and manage risks arising from our operations. The major features of our risk management policies include the following:

- we have adopted stringent quality control and supervision measures and procedures to prevent risks in relation to our property management business line. For more information, please see the subsection headed “— Quality Control”;
- our human resources department is responsible for monitoring the compliance with our internal rules and manuals by our employees to ensure that we comply with the relevant regulatory requirements and applicable laws, so as to reduce our legal risks;

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## OUR BUSINESS

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- we have put in place internal procedures for handling complaints from residents. Each complainant would be heard by a front-desk customer service staff, and the complaint would be classified into different categories depending on its nature and significance. Relevant responsible officers would investigate the complaint and follow up the same with the resident, and the entire process would be documented and record for internal review and improvement;
- our internal audit department is responsible for monitoring the implementation of our internal control measures, the details of which are set out below;
- we have also formed an audit committee comprising of four independent non-executive Directors as part of our measures to improve risk management and corporate governance. The primary duties of the audit committees are to provide our Directors with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process and to perform other duties and responsibilities as assigned by our Directors. We plan to continue strengthening our risk management policies, by ensuring regular management review of relevant corporate governance measures and the implementation by each subsidiary and the corresponding departments. For the biography of the members of our audit committee, please refer to the section headed "Directors, senior management and employees" in this document;
- we have established a monitoring system in relation to the sub-contractors and dispatch workers agencies (if any) engaged by our Company, including the selection criteria and the review systems to deal with any complaints/negligence with regards the sub-contractors, dispatch workers agencies (if any and their personnel);
- we have engaged and will continue to engage external auditors to assess whether tax filings are made in accordance with the relevant accounting policies and tax rules and regulations/To engage internal control consultants to review tax filing procedures and report to our audit committee on any deficiency identified; and
- we will continue to engage an independent internal control adviser for a term of three years after [REDACTED], who will perform annual review on our Company's internal controls policies and procedures (including our internal control measures on compliance with the applicable customs regulations), and make recommendations on the control deficiencies identified during the review. The scope of review will include, among others, compliance functions, tax reporting and management, anti-fraud management procedures, legal and regulatory compliance, and the measures adopted for ensuring the independent judgment of our Board.

We have adopted a series of internal control policies, procedures and plans that are designed to reasonably ensure effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. In order to ensure the effective implementation of such internal control policies, we have adopted various ongoing measures, including the following:

- we have provided training for our Directors, senior management and key risk management personnel with respect to our internal control policies and expect to provide continuous training when necessary;

## OUR BUSINESS

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- our internal audit department will assess and monitor the implementation of our internal control policies through periodic audits and inspections and will report any deviations observed to our management team;
- we will continue to provide internal control training to our employees;
- we have retained external PRC legal advisers to review and advise on our regulatory compliance with the relevant PRC laws and regulations that are material to our business operations in China, including but not limited to compliance of requirements of requisite permits and professional certifications;
- we will conduct regular review of non-compliance incidents and report to the Board;
- we have established a system to enhance the accountability of our employees with regard to internal control and legal compliance issues;
- in order to further ensure our compliance with relevant statutory requirements, we will engage external professional advisers, such as company secretarial service providers, consultancy firms, auditors and external legal advisers, to render professional advice so as to comply with statutory requirements as applicable to our Group from time to time, including applicable laws and regulations in the PRC and Hong Kong and the Listing Rules;
- we have appointed Southwest Securities (HK) Capital Limited as our compliance adviser upon the [REDACTED] to advise our Company on compliance matters in accordance with Rule 3A.19 of the Listing Rules; and
- our Directors attended training sessions in May 2015 conducted by our Hong Kong legal advisers on, among other things, ongoing obligations, general corporate governance requirements, the duties and responsibilities of directors of a company whose shares are listed on the Stock Exchange under applicable laws, rules and regulations, including but not limited to the Listing Rules. Our Directors have provided confirmation in writing in relation to their understanding of their duties under the Listing Rules and other applicable laws and regulations.

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## OUR BUSINESS

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In order to prevent the recurrence of certain non-compliance incidents which occurred during the Track Record Period and to further strengthen our internal control system, we have adopted the following specific internal control measures.

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### **Matters of Non-compliance**

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### **Internal Control Measures**

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| 1. Insufficient social insurance and housing fund contributions  | (i) We have updated our internal policies to ensure our social insurance and housing fund contributions in compliance with applicable PRC laws and regulations; and  |
|  | (ii) We will provide our human resources managers with training and updates regarding the legal and regulatory requirements in relation to social insurance and housing fund from time to time on a regular basis. |
| 2. Lack of property management professional qualification certificate for some of our employees and subsidiary | (i) We will provide our human resources managers with training and updates regarding the applicable legal and regulatory requirements from time to time on a regular basis;  |
|  | (ii) We will set up a process in our recruitment to evaluate the qualification status of candidates, which includes a checklist containing requirements that must be satisfied; and                                |
|  | (iii) If necessary, we will seek PRC legal advice as and when appropriate.   |
| 3. Lack of requisite licenses for some of our operations of fee-charging parking services; and                 | (i) We will provide our managers of administration department with training and updates regarding the applicable PRC legal and regulatory requirements from time to time on a regular basis; and                   |
|  | (ii) We will seek PRC legal advice as and when appropriate on licensing matters in relation to any new operations of our existing, new or acquired subsidiaries.   |
| 4. Lack of requisite certificates for our operations of maintenance of safety technology systems               | (i) We have outsourced the operations relating to the maintenance of safety technology systems to third-party sub-contractors;   |
|  | (ii) We will provide our managers of administration department with training and updates regarding the applicable PRC legal and regulatory requirements from time to time on a regular basis; and                  |
|  | (iii) We will seek PRC legal advice as and when appropriate on licensing matters in relation to any new operations of our existing, new or acquired subsidiaries.  |

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## OUR BUSINESS

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### Matters of Non-compliance

### Internal Control Measures

5. Non-registration of lease agreements and lack of title proof from lessors of leased properties

- (i) We will include certain conditions in any material lease agreement to be entered into with lessor(s) in the future, e.g. the provider of title documents by the lessor, or the lease agreement will only become operative after the lease agreement has been duly registered with the relevant authority or the provision of evidence showing the submission of documents for registration of the lease agreement;
- (ii) We will designate our employee or property agent to check the registration status of executed lease agreements and follow up with the relevant parties if a lease agreement has not been registered; and
- (iii) If necessary, we will seek PRC legal advice as and when appropriate.

In light of the scale and nature of, and reason for, the non-compliances, and on the basis of the remedial actions taken and the views of the PRC Legal Advisors, and given that our Group has adopted a series of internal control measures to enhance our internal controls and risk management efforts (including measures specifically directed to address the past non-compliances), our Directors believe (a) the enhanced internal control measures are adequate and effective to address the non-compliances as set out above; and (b) our non-compliance incidents do not have 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. The Sole Sponsor is not aware of any material issue that raises the concern of the adequacy or effectiveness of the above internal control measures or the suitability of our Directors or our Company for [REDACTED].

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## STRUCTURED CONTRACTS

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### Background

With a view to enhancing the quality and efficiency of property management services, we have introduced the O2O platform connecting residents with local merchants and service providers. Such O2O platform is offered to the residential communities under our management through a mobile application developed by Guangzhou Maiyue. Guangzhou Maiyue is the holder of an ICP License, which, as confirmed by our PRC legal advisor, enables the holder to conduct commercial internet information services, which is a type of value-added telecommunication business that falls into the “restricted” industry under the Catalogue. For details of the Catalogue, please see the section headed “Regulations — Foreign Investment Guidance” in this document. As at the Latest Practicable Date, none of Guangzhou Daojia and Hangzhou Yidao holds any ICP Licence.

On December 11, 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “**FITE Regulations**”), which were amended on September 10, 2008. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services, including ICP services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (“**Qualification Requirement**”). Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirement. The MIIT has issued a guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC. According to this guidance memorandum, an applicant is required to provide, among other things, the applicant’s annual reports for past three years, proof of Qualification Requirement and business development plan. The guidance memorandum does not provide any further guidance on the proof, record or document required to support the proof satisfying the Qualification Requirement. Further, this guidance memorandum does not purport to provide an exhaustive list on the application requirement. Our PRC legal advisors have advised us that (i) this guidance memorandum has no legal or regulatory effect under the PRC laws and (ii) no applicable PRC laws, regulations or rules have provided clear guidance or interpretation on the Qualification Requirement.

On July 13, 2006, the MIIT issued the Notice on Strengthening the Administration of Foreign Investment in Operating 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 “**MIIT Notice**”). The MIIT Notice further strengthened regulation over foreign investment in value-added telecommunication services, including prohibiting domestic telecommunication service providers from leasing, transferring or selling telecommunication business operating licenses to any foreign investor in any form, or requiring domain names and trademarks used by any value-added telecommunication service providers to be held by either the holder of the ICP License or shareholders of such ICP License holder. Furthermore, domestic telecommunication service providers are prohibited from providing any resources, premises, facilities and other assistance in any form to foreign investors for their illegal operation of any telecommunications businesses in China. If the ICP License holder fails to comply with the requirements in the MIIT Notice and fails to remedy its non-compliance within a specified period of time, the MIIT or its local branches may take measures against such license holder, including revoking its ICP License.

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## STRUCTURED CONTRACTS

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Because of the restrictions under current PRC laws and regulations on foreign investment in ICP License holders, we determined that it was not viable for the Company to hold Guangzhou Maiyue directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, the Company would gain effective control over, and receive 75% of the economic benefits generated by the business operated by Guangzhou Maiyue which is attributable to Mr. Liu through a series of Structured Contracts, which allow Guangzhou Maiyue’s financials and results of operations to be consolidated into our financials and results of operations under HKFRSs as if it were our subsidiary.

Guangzhou Suiya was established in the PRC as a wholly foreign owned enterprise on March 31, 2015. For details as to the history and development of Guangzhou Suiya, please refer to the section headed “History, Reorganization and Corporate Structure” in this document.

On April 15, 2015, Guangzhou Suiya, Guangzhou Maiyue and the shareholders of Guangzhou Maiyue and their respective spouse have entered into a series of agreements, consisting of:

- (a) the business cooperation agreement (業務合作協議) (the “**Business Cooperation Agreement**”) entered into among Guangzhou Suiya, Guangzhou Maiyue, Mr. Liu and Ms. Zhao, pursuant to which the parties confirmed that they have established business cooperation by entering into the Structured Contracts and the arrangements contemplated thereunder;
- (b) the exclusive technical services and management consultancy agreement (獨家技術服務及管理諮詢協議) (the “**Exclusive Technical Services and Management Consultancy Agreement**”) entered into between Guangzhou Suiya and Guangzhou Maiyue, pursuant to which Guangzhou Suiya agreed to provide exclusive technical services to Guangzhou Maiyue and its subsidiaries and Guangzhou Suiya agreed to pay service fee to Guangzhou Maiyue;
- (c) the exclusive call option agreement (獨家購買權協議) (the “**Exclusive Call Option Agreement**”) entered into among Guangzhou Suiya, Guangzhou Maiyue, Mr. Liu and Ms. Zhao, pursuant to which Guangzhou Suiya or its designated purchaser is granted an exclusive option to acquire all or part of the equity interest in Guangzhou Maiyue held by Mr. Liu as soon as the relevant PRC laws allow us to do so;
- (d) a shareholders’ rights entrustment agreement (股東權利委託協議) (the “**Shareholders’ Rights Entrustment Agreement**”) entered into among Guangzhou Suiya, Guangzhou Maiyue and Mr. Liu, pursuant to which Mr. Liu has irrevocably authorised and entrusted Guangzhou Suiya to exercise all his rights as shareholder of Guangzhou Maiyue;
- (e) an irrevocable power of attorney (授權書) (the “**Power of Attorney**”) in connection with the Shareholders’ Rights Entrustment Agreement executed by Mr. Liu authorising and appointing Guangzhou Suiya as Mr. Liu’s agent to act on his behalf to exercise or delegate the exercise of all his rights as shareholder of Guangzhou Maiyue;
- (f) an equity pledge agreement (股權質押協議) (the “**Equity Pledge Agreement**”) entered into among Guangzhou Suiya, Guangzhou Maiyue, Mr. Liu and Ms. Zhao, pursuant to which, Mr. Liu pledged all of his equity interest (being 75% of the total equity interest) in Guangzhou

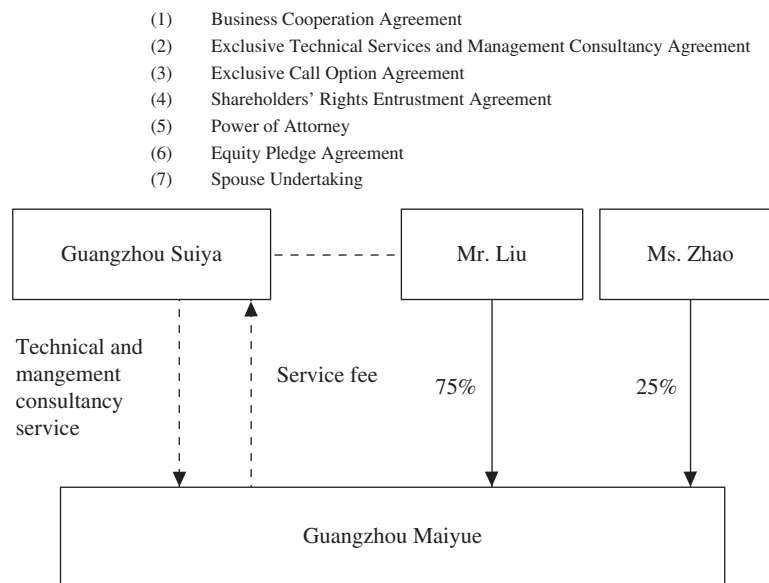
## STRUCTURED CONTRACTS

Maiyue together with all related rights thereto to Guangzhou Suiya as collateral security for all such loss and expenses incurred to Guangzhou Suiya as a result of any events of default on the part of Mr. Liu or Guangzhou Maiyue; and

- (g) a letter of undertaking (承諾函) (“**Spouse Undertaking**”) executed by the respective spouse of Mr. Liu and Ms. Zhao in favour of Guangzhou Suiya, pursuant to which each of the spouses has given irrevocable undertakings in relation to the arrangements contemplated under the Structured Contracts.

### Diagrammatic Representation of the Structured Contracts

The following diagram illustrates how the Structured Contracts effectively transfer the economic benefits of Guangzhou Maiyue to our Group as stipulated under the Structured Contracts.



#### Notes:

- (1) Please refer to the section headed “Structured Contracts — Summary of the Structured Contracts — (1) Business Cooperation Agreement” of this document for details.
- (2) Please refer to the section headed “Structured Contracts — Summary of the Structured Contracts — (2) Exclusive Technical Services and Management Consultancy Agreement” of this document for details.
- (3) Please refer to the section headed “Structured Contracts — Summary of the Structured Contracts — (3) Exclusive Call Option Agreement” of this document for details.
- (4) Please refer to the section headed “Structured Contracts — Summary of the Structured Contracts — (4) Shareholders’ Rights Entrustment Agreement” of this document for details.
- (5) Please refer to the section headed “Structured Contracts — Summary of the Structured Contracts — (5) Power of Attorney” of this document for details.
- (6) Please refer to the section headed “Structured Contracts — Summary of the Structured Contracts — (6) Equity Pledge Agreement” of this document for details.
- (7) Please refer to the section headed “Structured Contracts — Summary of the Structured Contracts — (7) Spouse Undertaking” of this document for details.



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## STRUCTURED CONTRACTS

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### Summary of the material terms of the Structured Contracts

#### *(1) Business Cooperation Agreement*

Pursuant to the Business Cooperation Agreement, Guangzhou Suiya shall provide management consulting, technical, marketing and other services necessary for the business carried out by Guangzhou Maiyue; in consideration, Guangzhou Maiyue shall make various payments to Guangzhou Suiya pursuant to the Structured Contracts. As such, the daily operational activities of Guangzhou Maiyue will have a substantial impact on its ability to satisfy such payments to Guangzhou Suiya.

In order to ensure proper performance of the Structured Contracts, Guangzhou Maiyue agreed to comply with, and procure any of its subsidiaries which may be established to comply with, certain obligations prescribed under the Business Cooperation Agreement. The shareholders of Guangzhou Maiyue shall also take legitimate measures to procure such compliance. These obligations include without limitation:

- (a) to carry out its business operations prudently and effectively in accordance with good financial and business standards and maintain its asset value;
- (b) to develop business plans in accordance with the instructions of Guangzhou Suiya;
- (c) to carry out its business under the assistance of Guangzhou Suiya;
- (d) to carry out its daily operation and financial management in accordance with the recommendations, advice, principles and other instructions of Guangzhou Suiya;
- (e) to act upon recommendations of Guangzhou Suiya in terms of appointment and removal of senior management and staff; in particular, Guangzhou Maiyue shall appoint such persons nominated by Guangzhou Suiya as chairman of the board of directors, general manager, chief financial officer and other senior management of Guangzhou Maiyue and its subsidiaries;
- (f) to adopt advice, guidance and plans from Guangzhou Suiya in relation to Guangzhou Maiyue's strategic development; and
- (g) to carry out its business operations and to maintain the effectiveness and renewal of the necessary licences it owns.

In addition, pursuant to the Business Cooperation Agreement,

- (a) Mr. Liu agreed to unconditionally and for nil consideration transfer to Guangzhou Suiya any dividend or distribution other income received in his capacity as a shareholder of Guangzhou Maiyue.
- (b) Guangzhou Maiyue and its shareholders unconditionally consent that, in the event of dissolution, liquidation, insolvency or reorganisation etc of Guangzhou Suiya, all rights and obligations of Guangzhou Suiya under the Structured Contracts shall be assigned to the Company's designated party and Guangzhou Maiyue and its shareholders shall execute all documents and take all actions necessary to facilitate such assignment; or, in accordance with the Company's instructions, Guangzhou Maiyue and its shareholders shall procure the

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## STRUCTURED CONTRACTS

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disposal of all or part of the equity interest in or assets of Guangzhou Maiyue and its subsidiaries and procure that 75% of the proceeds of such disposal are transferred to the Company or its designated party at nil consideration.

- (c) Mr. Liu has agreed that in the event of dissolution or liquidation etc of Guangzhou Maiyue, (i) Guangzhou Suiya and/or its authorised person shall have the right to exercise all shareholder's rights for and on behalf of Mr. Liu; (ii) Mr. Liu shall transfer and instruct Guangzhou Maiyue to directly hand over all properties he is entitled to as a result of the dissolution or liquidation of Guangzhou Maiyue to Guangzhou Suiya or other designated parties of the Company for nil consideration; (iii) if consideration is required for the abovementioned transfer of properties under the then effective PRC laws, Mr. Liu shall reimburse the amount of the consideration to Guangzhou Suiya or other designated parties of the Company.
- (d) If Mr. Liu increases his capital contribution to Guangzhou Maiyue, Mr. Liu has agreed to pledge such increased equity interest to Guangzhou Suiya as collateral security for the performance of obligations and repayment of indebtedness under the Structured Contracts.

Further, without prior written consent of Guangzhou Suiya or its designated party, Guangzhou Maiyue and each of its shareholders has undertaken that he/she/it shall not conduct or cause to conduct any activities or transactions which may have a substantial impact on the assets, business, staff, obligations, rights or operations of Guangzhou Maiyue or its subsidiaries. Such activities and transactions include without limitation:

- (a) establishing any subsidiary or branches of Guangzhou Maiyue;
- (b) conducting any activities which are outside the ordinary course of business or alter the operation model of Guangzhou Maiyue or its subsidiaries;
- (c) consolidation, division, change of corporate form, dissolution or liquidation of Guangzhou Maiyue or its subsidiaries;
- (d) providing to or obtaining any loans from or providing guarantees to Guangzhou Maiyue or its subsidiaries by Guangzhou Maiyue's shareholders;
- (e) save for in the ordinary course of business, providing to or obtaining any loans from or providing guarantees to any third party by Guangzhou Maiyue or its subsidiaries, and the amount of such loans or guarantees is not less than RMB100,000;
- (f) change or remove any director, supervisor or senior management of Guangzhou Maiyue or its subsidiaries, or increase or decrease their remuneration or alter their appointment terms;
- (g) selling, transferring, lending or authorising the use of any material assets or rights (including intellectual property rights) of Guangzhou Maiyue or its subsidiaries to any person other than Guangzhou Suiya or its designated party;

## STRUCTURED CONTRACTS

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- (h) increasing or reducing the registered capital or alternating the shareholding structure of Guangzhou Maiyue or its subsidiaries other than disposal of equity interest to Guangzhou Suiya or its designated party;
- (i) providing security over equity interest in or assets or rights of, or creating encumbrance over equity interest in or assets of Guangzhou Maiyue or its subsidiaries to parties other than to Guangzhou Suiya or its designated party;
- (j) altering, amending or revoking any licence of Guangzhou Maiyue or its subsidiaries;
- (k) amending its articles of association or scope of business of Guangzhou Maiyue or its subsidiaries;
- (l) changing any normal business procedures or amending any material internal rules of Guangzhou Maiyue or its subsidiaries;
- (m) save as in accordance with plans and recommendations from Guangzhou Suiya or the Company, entering into any business contracts outside the ordinary course of business of Guangzhou Maiyue or its subsidiaries;
- (n) save as agreed in the Structured Contracts, making any distribution to the shareholders of Guangzhou Maiyue or its subsidiaries;
- (o) carrying out any activities which may adversely affect the daily operations, business, assets or payment abilities of Guangzhou Maiyue or its subsidiaries;
- (p) carrying out any activities which may adversely affect the transactions contemplated under the Structured Contracts; and
- (q) transferring his/her/its rights and obligations under the Structured Contracts to any party other than Guangzhou Suiya or its designated party, or establishing any cooperation or business relationship similar to that under the Structured Contracts with any third party.

With regard to the service fee payable under the Exclusive Technical Services and Management Consultancy Agreement, it is provided in the Business Cooperation Agreement that the parties shall adjust the amount of service fee every financial year in the light of the cooperation and operations of Guangzhou Maiyue and Guangzhou Suiya. The service fee shall be calculated by Guangzhou Suiya provided that Guangzhou Maiyue shall not be making a loss after payment of the service fee. At the same time, in order to maintain Guangzhou Maiyue's daily business operations, with the consent of Guangzhou Suiya, Guangzhou Maiyue may use the cash in excess of its basic cash flow needs to pay for part of the service fee, and the payment of the remaining service fee may be deferred subject to the consent of Guangzhou Suiya. Any such deferred payment shall not constitute a breach by Guangzhou Maiyue and shall not be subject to any overdue interest.

Pursuant to the Business Cooperation Agreement, Guangzhou Maiyue has also undertaken that, in the event of any breach of the Structured Contracts by any shareholder of Guangzhou Maiyue which results in non-performance of all or part of the Structured Contracts, Guangzhou Maiyue shall bear joint liability in respect of such breach. To the extent permitted by law, Guangzhou Suiya shall have the right

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## STRUCTURED CONTRACTS

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to apply to a competent court or arbitration tribunal for statutory or other remedies over the equity interest, property interest and other assets of the party in breach. Such remedies shall include without limitation the transfer of equity interest in Guangzhou Maiyue or its subsidiaries and the order for liquidation of Guangzhou Maiyue or its subsidiaries. However, if Guangzhou Maiyue incurs joint liability by reasons not attributable to Ms. Zhao's breach, 75% of the proceeds of abovementioned transfer or liquidation shall be applied to compensate the loss of Guangzhou Suiya whereas 25% shall belong to Ms. Zhao.

The Business Cooperation Agreement shall be terminated upon the completion of the purchase of all of Mr. Liu's equity interest in Guangzhou Maiyue by Guangzhou Suiya pursuant to the terms of the Exclusive Call Option Agreement. In addition, Guangzhou Suiya shall also have the right to terminate the Business Cooperation Agreement with 30 days' prior notice. Guangzhou Maiyue or its shareholders do not have the right to terminate the Business Cooperation Agreement unless otherwise prescribed under the laws.

(2) *Exclusive Technical Services and Management Consultancy Agreement*

Pursuant to the Exclusive Technical Services and Management Consultancy Agreement, Guangzhou Suiya agreed to provide exclusive technical services to Guangzhou Maiyue and its subsidiaries including but not limited to:

- (a) developing software and applications for computer and mobile devices;
- (b) developing or designing webpages and websites necessary for the business of Guangzhou Maiyue;
- (c) providing management information systems necessary for the business of Guangzhou Maiyue;
- (d) providing technical support in respect of Guangzhou Maiyue's business;
- (e) providing technical consulting services;
- (f) providing technical training;
- (g) engaging relevant technical staff to provide on-site support; and
- (h) providing other technical services reasonably requested by Guangzhou Maiyue.

Further, Guangzhou Suiya also agreed to provide exclusive management consulting services to Guangzhou Maiyue and its subsidiaries including but not limited to:

- (a) developing operational plans and management models;
- (b) developing marketing strategies;
- (c) providing market information and client resources information;
- (d) providing market research and investigation;

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## STRUCTURED CONTRACTS

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- (e) providing staff training;
- (f) assisting in building sales network; and
- (g) providing other services reasonably requested by Guangzhou Maiyue.

In consideration of the technical and management consulting services provided by Guangzhou Suiya, Guangzhou Maiyue agrees to pay a service fee to Guangzhou Suiya in respect of each financial year. Such service fee shall be calculated by Guangzhou Suiya by reference to the financial conditions of Guangzhou Suiya and Guangzhou Maiyue, and the amount shall be equivalent to 75% of Guangzhou Maiyue's distributable profits for the year (including any dividends, distributions or other income obtained by Guangzhou Maiyue from its subsidiaries) after deducting all costs, expenses and taxes necessary for business operations, losses from the previous year (if any) and relevant reserve funds (if applicable). Guangzhou Suiya has the right to adjust the amount of such service fee by reference to the actual services provided and the actual business operations and needs of Guangzhou Maiyue, provided that any adjusted amount shall not exceed the amount mentioned above.

After payment of the service fee and any reasonable disbursements incurred by Guangzhou Suiya in the course of provision of its services, and deduction of expenses, taxes, losses and statutory reserves of Guangzhou Maiyue, the remaining distributable profits shall be distributed to Ms. Zhao.

Pursuant to the Exclusive Technical Services and Management Consultancy Agreement, unless otherwise prescribed under the PRC laws and regulations, Guangzhou Suiya shall have exclusive proprietary rights to (i) any techniques and materials developed or made in the course of the provision of technical support or research and development services by Guangzhou Suiya to Guangzhou Maiyue, as well as (ii) any intellectual property in and any other rights derived from any research products obtained by Guangzhou Suiya as a result of its performance of the Exclusive Technical Services and Management Consultancy Agreement and/or any other agreements entered into between Guangzhou Suiya and other parties.

The Exclusive Technical Services and Management Consultancy Agreement shall be terminated upon the completion of the purchase of all of Mr. Liu's equity interest in Guangzhou Maiyue by Guangzhou Suiya pursuant to the terms of the Exclusive Call Option Agreement. In addition, Guangzhou Suiya shall also have the right to terminate the Exclusive Technical Services and Management Consultancy Agreement with 30 days' prior notice. Guangzhou Maiyue or its shareholders do not have the right to terminate the Exclusive Technical Services and Management Consultancy Agreement unless otherwise prescribed under the laws.

### *(3) Exclusive Call Option Agreement*

Under the Exclusive Call Option Agreement, each of Mr. Liu and Ms. Zhao has irrevocably granted Guangzhou Suiya or its designated purchaser the right (the "**Call Option**") to purchase all or part of the equity interest in Guangzhou Maiyue held by Mr. Liu. The aggregate price for the transfer of equity interest upon exercise of such right shall be RMB1 or the lowest price permitted under PRC laws and regulations. Each shareholder of Guangzhou Maiyue irrevocably agrees to the transfer of Mr. Liu's interest in Guangzhou Maiyue, and waives any pre-emptive rights he/she may be entitled to pursuant to the PRC laws and regulations and Guangzhou Maiyue's articles of association.

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In the event that PRC laws and regulations allow Guangzhou Suiya or its shareholder to directly hold all or part of the equity interest in Guangzhou Maiyue and conduct internet telecommunication services and other restricted businesses through Guangzhou Maiyue, Guangzhou Suiya shall issue the notice of exercise of Call Option as soon as practicable, and the percentage of equity interest purchased upon exercise of the Call Option shall not be lower than the maximum percentage then allowed to be held by Guangzhou Suiya or its shareholder under PRC laws and regulations.

Pursuant to the Exclusive Call Option Agreement, Mr. Liu has undertaken that he:

- (a) save for the equity pledge contemplated under the Equity Pledge Agreement, shall not sell, assign, transfer or otherwise dispose of or create encumbrance over his equity interest in Guangzhou Maiyue without prior written consent of Guangzhou Suiya;
- (b) shall not increase or reduce or agree to the increase or reduction of registered capital of Guangzhou Maiyue without prior written consent of Guangzhou Suiya;
- (c) shall not agree to or cause Guangzhou Maiyue to divide into or consolidate with other entities without prior written consent of Guangzhou Suiya;
- (d) save for in the ordinary course of business, shall not dispose of or cause the management of Guangzhou Maiyue to disposal of any of its assets without prior written consent of Guangzhou Suiya;
- (e) shall not terminate or cause the management of Guangzhou Maiyue to terminate any material contracts or enter into any other contracts which may contradict existing material contracts without prior written consent of Guangzhou Suiya;
- (f) save for in the ordinary course of business or those transactions which have been disclosed to Guangzhou Suiya, shall not cause Guangzhou Maiyue to carry out any transactions which may have a substantial impact on the assets, liabilities, operations, shareholding structures or other legal rights of Guangzhou Maiyue without prior written consent of Guangzhou Suiya;
- (g) shall not agree to or cause Guangzhou Maiyue to declare any dividends or distributions without prior written consent of Guangzhou Suiya;
- (h) shall not agree to or cause Guangzhou Maiyue to alter its articles of association without prior written consent of Guangzhou Suiya;
- (i) shall ensure that Guangzhou Maiyue does not provide or obtain and loans or provide any guarantees or security, or undertake any material obligations outside its ordinary course of business without prior written consent of Guangzhou Suiya;
- (j) shall use his best endeavours to develop the business of Guangzhou Maiyue and ensure that Guangzhou Maiyue is operated in compliance with laws and regulations, and shall not carry out any action or inaction which may damage the assets, goodwill or the effectiveness of operational licences of Guangzhou Maiyue;

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## STRUCTURED CONTRACTS

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- (k) shall, prior to the transfer of his equity interest to Guangzhou Suiya or its designated purchaser and without prejudice to the Shareholders' Rights Entrustment Agreement, execute all documents necessary for owning and maintaining the ownership of his equity interest;
- (l) shall not waive any pre-emptive rights he may have in respect of the equity interest in Guangzhou Maiyue under the PRC laws and regulations, Guangzhou Maiyue's articles of association and other contractual arrangements without prior written consent of Guangzhou Suiya;
- (m) shall take all actions to facilitate Guangzhou Maiyue's performance of its obligations under the Exclusive Call Option Agreement if such performance requires any action be taken by Guangzhou Maiyue's shareholders;
- (n) shall, within his capacity as a shareholder and without prejudice to the Shareholders' Rights Entrustment Agreement, procure directors nominated by him to exercise all rights to enable Guangzhou Maiyue to performance its obligations under the Exclusive Call Option Agreement, and shall replace any director who does not so exercise his rights; and
- (o) in the event that the price paid by Guangzhou Suiya or its designated purchaser for the transfer of equity interest in Guangzhou Maiyue held by Mr. Liu exceeds RMB1, Mr. Liu shall pay such excess amount to Guangzhou Suiya or its designated entity.

Ms. Zhao has undertaken that she:

- (a) shall agree to Mr. Liu's transfer of equity interest to Guangzhou Suiya or its designated purchaser pursuant to the Exclusive Call Option Agreement or the Equity Pledge Agreement;
- (b) shall, with regard to any transfer of equity interest to Guangzhou Suiya or its designated purchaser, waive any pre-emptive rights she may have in respect of the equity interest in Guangzhou Maiyue under the PRC laws and regulations, Guangzhou Maiyue's articles of association and other contractual arrangements;
- (c) shall agree to any shareholders' resolution made by Mr. Liu pursuant to the Structured Contracts;
- (d) shall, in the event that Ms. Zhao proposes to sell, assign or transfer or otherwise dispose of her equity interest, ensure that such purchaser/assignee/transferee unconditionally, irrevocably and at nil consideration gives its prior written consent to the rights and obligations under the Structured Contracts; and
- (e) shall, in the event that Ms. Zhao creates any encumbrance over her equity interest in Guangzhou Maiyue, ensure that the beneficiary of such encumbrance and other interested parties unconditionally, irrevocably and at nil consideration gives its prior written consent to the rights and obligations under the Structured Contracts.

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Guangzhou Maiyue has also undertaken that it, among other things:

- (a) save as otherwise agreed in the Exclusive Call Option Agreement or the Equity Pledge Agreement, shall not sell, transfer, grant licence or otherwise dispose of any of its material assets or create encumbrance over any of its assets without prior written consent of Guangzhou Suiya;
- (b) shall not directly or indirectly make any distributions to its shareholders;
- (c) shall conduct its business in accordance with the Structured Contracts and the instructions of Guangzhou Suiya;
- (d) save as otherwise agreed in the Exclusive Call Option Agreement or the Equity Pledge Agreement, shall not alter its articles of association without prior written consent of Guangzhou Suiya;
- (e) shall not approve any resolutions on engagement of other businesses, liquidation or dissolution without prior written consent of Guangzhou Suiya;
- (f) save for in the ordinary course of business or as disclosed to Guangzhou Suiya, shall not incur any indebtedness without prior written consent of Guangzhou Suiya;
- (g) shall not provide loans or guarantee to any person without prior written consent of Guangzhou Suiya;
- (h) shall not consolidate or merge with any person without prior written consent of Guangzhou Suiya;
- (i) shall not acquire or invest in any person without prior written consent of Guangzhou Suiya; and
- (j) shall not conduct or allow to conduct any activities or action which may adversely affect the interest of Guangzhou Suiya under the Exclusive Call Option Agreement.

The Exclusive Call Option Agreement shall continue in force throughout the operating period of Guangzhou Maiyue (as extended in accordance with PRC laws), and shall terminate upon the completion of the purchase of all of Mr. Liu's equity interest in Guangzhou Maiyue by Guangzhou Suiya or its designated purchaser. In addition, Guangzhou Suiya shall also have the right to terminate the Exclusive Call Option Agreement with 30 days' prior notice. Guangzhou Maiyue or its shareholders do not have the right to terminate the Exclusive Call Option Agreement unless otherwise prescribed under the laws.

#### *(4) Shareholders' Rights Entrustment Agreement*

Pursuant to the Shareholders' Rights Entrustment Agreement, Mr. Liu has irrevocably authorised and entrusted Guangzhou Suiya to exercise all his rights as shareholder of Guangzhou Maiyue. These rights include, but are not limited to:

- (a) the right to propose and attend shareholders' meetings;



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- (b) the right to vote on all matters proposed at shareholders' meetings including without limitation, the appointment of directors, general manager, deputy general manager, chief financial officer and other senior management, and the dissolution and liquidation of Guangzhou Maiyue;
- (c) the right to execute all meeting minutes and resolutions of shareholders' meeting and other legal documents to be executed by Mr. Liu as a shareholder of Guangzhou Maiyue;
- (d) the right to request the directors, legal representatives to act in accordance with Guangzhou Suiya's instructions;
- (e) the right to exercise all other voting rights to which Mr. Liu is entitled under Guangzhou Maiyue's articles of association;
- (f) the right to complete any registration, approval, licensing and other legal procedures relating to Guangzhou Maiyue with relevant Administration of Industry and Commerce and other governmental authorities;
- (g) the right to transfer or otherwise dispose of the equity interest in Guangzhou Maiyue held by Mr. Liu; and
- (h) any other shareholders' rights prescribed under Guangzhou Maiyue's articles of association and applicable PRC laws and regulations.

Further, without prejudice to the generality of the foregoing, Guangzhou Suiya shall have the authority and power to act on behalf of all shareholders of Guangzhou Maiyue to (i) execute the transfer documents prescribed in the Exclusive Call Option Agreement, and (ii) perform the Equity Pledge Agreement and the Exclusive Call Option Agreement to which the shareholders of Guangzhou Maiyue are parties.

The exercise of the aforesaid rights as shareholders of Guangzhou Maiyue does not require the consent or approval of Mr. Liu.

In addition, Mr. Liu has irrevocably agreed that Guangzhou Suiya may delegate the rights it is entitled to exercise under the Shareholders' Rights Entrustment Agreement to the directors of Guangzhou Suiya or its designated person, without prior notice to or approval by Mr. Liu.

Mr. Liu has further irrevocably agreed that in the event of Guangzhou Suiya's division, merger, liquidation or other circumstances, any liquidators or successors of civil rights of Guangzhou Suiya shall replace Guangzhou Suiya in exercising all rights under the Shareholders' Rights Entrustment Agreement.

The Shareholders' Rights Entrustment Agreement shall continue to be in force throughout the operating period of Guangzhou Maiyue (as extended in accordance with PRC laws), and shall terminate upon the completion of the purchase of all of Mr. Liu's equity interest in Guangzhou Maiyue by Guangzhou Suiya pursuant to the terms of the Exclusive Call Option Agreement. In addition, Guangzhou Suiya shall also have the right to terminate the Shareholders' Rights Entrustment Agreement with 30 days' prior notice. Guangzhou Maiyue or its shareholders do not have the right to terminate the Shareholders' Rights Entrustment Agreement unless otherwise prescribed under the laws.

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### (5) *Power of Attorney*

Pursuant to the Power of Attorney, Mr. Liu authorised and appointed Guangzhou Suiya as Mr. Liu's agent to act on his behalf to exercise or delegate the exercise of all his rights as shareholder of Guangzhou Maiyue. These rights include, but are not limited to the rights as set out in the section headed "(4) Shareholders' Rights Entrustment Agreement" above.

In addition, Guangzhou Suiya shall have the right to delegate all such rights to the directors of Guangzhou Suiya or any other individual designated by Guangzhou Suiya.

The Power of Attorney shall constitute a part of the Shareholder's Right Entrustment Agreement, and shall have a term which is identical to the term of the Shareholders' Rights Entrustment Agreement.

### (6) *Equity Pledge Agreement*

Pursuant to the Equity Pledge Agreement, Mr. Liu pledged all of his equity interest (being 75% of the total equity interest) in Guangzhou Maiyue together with all related rights thereto to Guangzhou Suiya as collateral security for all such loss and expenses incurred to Guangzhou Suiya as a result of any events of default on the part of Mr. Liu or Guangzhou Maiyue (the "**Secured Indebtedness**"). Guangzhou Maiyue and Ms. Zhao have agreed to the first priority equity pledge created under the Equity Pledge Agreement.

Pursuant to the Equity Pledge Agreement, without Guangzhou Suiya's prior written consent, Mr. Liu shall not transfer the equity interest or create further pledge or encumbrance over the pledged equity interest. Any unauthorised transfer shall be invalid, and the proceeds of any transfer of the equity interest shall be first used in the payment of the Secured Indebtedness or deposited to such third party as agreed to by Guangzhou Suiya.

None of Mr. Liu, Ms. Zhao and Guangzhou Maiyue is permitted to conduct or permit to conduct any action which may adversely affect the interest of Guangzhou Suiya pursuant to the Structured Contracts or the equity pledge. Ms. Zhao waives any pre-emptive rights she may have upon realisation of the equity interest and agrees to any transfer of the pledged equity pursuant to the equity pledge.

Any of the following events shall constitute an event of default under the Equity Pledge Agreement:

- (a) Mr. Liu or Guangzhou Maiyue commits any breach of any obligations under the Structured Contracts; or
- (b) any representations or warranties or information provided under the Structured Contracts is proven to be incorrect or misleading; or
- (c) any provision in the Structured Contracts becomes invalid or incapable of performance due to chance in PRC laws and regulations or promulgation of new laws and regulations in the PRC, and the parties have not agreed upon an alternative arrangement.

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Upon the occurrence of an event of default described above, Guangzhou Suiya shall have the right to enforce the Equity Pledge Agreement by written notice to Mr. Liu in one or more of the following ways:

- (a) to the extent permitted under PRC laws and regulations and without prejudice to the Exclusive Call Option Agreement, Guangzhou Suiya may request Mr. Liu to transfer all or part of his equity interest in Guangzhou Maiyue to any entity or individual designated by Guangzhou Suiya at the price as agreed in the Exclusive Call Option Agreement;
- (b) without prejudice to the Structured Contracts, sell the pledged equity interest by way of auction or at a discount and have priority in the entitlement to the sales proceeds;
- (c) dispose of the pledged equity interest in other manner subject to compliance with laws and regulations.

The rights and obligations under the Equity Pledge Agreement shall not be transferrable on the part of Mr. Liu or Guangzhou Maiyue to any third party without prior written consent of Guangzhou Suiya. Any successors or permitted assigns of Mr. Liu and Guangzhou Maiyue shall continue to perform their respective obligations under the Equity Pledge Agreement.

The Equity Pledge Agreement shall continue to be in force until all obligations thereunder have been performed or all Secured Indebtedness has been repaid in full. In addition, Guangzhou Suiya shall also have the right to terminate the Equity Pledge Agreement with 30 days' prior notice. Guangzhou Maiyue or Mr. Liu does not have the right to terminate the Equity Pledge Agreement unless otherwise prescribed under the laws.

Our PRC legal advisor confirmed that the Equity Pledge Agreement has been duly registered with the relevant PRC legal authority pursuant to PRC laws and regulations.

### *(7) Spouse Undertaking*

Pursuant to the Spouse Undertaking, the respective spouse of each shareholder of Guangzhou Maiyue has irrevocably undertaken that:

- (a) the spouse has full knowledge of and agrees the shareholder's entering into of the Structured Contracts; in particular, the spouse has full knowledge of and independently and irrevocably agrees to the restrictions on and transfer and other forms of disposal of the shareholder's equity interest in Guangzhou Maiyue as set out in the Structured Contracts;
- (b) the spouse has not, is not and shall not in the future participate in the operation, management, liquidation, dissolution and other matters in relation to Guangzhou Maiyue;
- (c) the spouse authorises the shareholder and/or his/her authorised person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to the spouse's equity interest in Guangzhou Maiyue in order to safeguard Guangzhou Suiya's benefit under the Structured Contract and give effect to the fundamental purposes of the Structured Contracts; the spouse also confirms and agrees to all such documents and procedures;

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- (d) any undertaking, confirmation, agreement and authorisation under the Spouse Undertaking shall not be revoked, undermined, invalidated or otherwise adversely affected by any increase, decrease, consolidation or similar event relating to the shareholder's equity interest in Guangzhou Maiyue;
- (e) any undertaking, confirmation, agreement and authorisation under the Spouse Undertaking shall not be revoked, undermined, invalidated or otherwise adversely affected by the death, restriction or loss of capacity of the spouse or divorce or similar event;
- (f) all undertaking, confirmation, agreement and authorisation under the Spouse Undertaking shall continue to be valid and binding until terminated by Guangzhou Suiya and the spouse by written confirmation. Guangzhou Suiya and the shareholders of Guangzhou Maiyue shall not be liable to pay any compensation (monetary or otherwise) to the spouse in relation to the undertaking, confirmation, agreement and authorisation made by the spouse under the Spouse Undertaking.

The Spouse Undertakings shall have a term which is identical to the term of the Business Cooperation Agreement.

### **Dispute resolution**

Pursuant to the Structured Contracts, any dispute arising from or in connection with the performance, interpretation, breach, termination or validity of the Structured Contracts should first be resolved through negotiation after a party delivers to the other parties a written request setting out the specific statements of dispute and claims, if the parties are unable to settle the dispute within 30 days of such written request, any party may submit the said dispute to the China International Economic and Trade Arbitration Commission in Beijing, the PRC 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 equity interest and property interest and other assets of Guangzhou Maiyue. The courts of Hong Kong, the Cayman Islands, the PRC or the place where Guangzhou Maiyue's or the Company's principal assets are located will also have the jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the equity interest or properties of Guangzhou Maiyue.

In connection with the dispute resolution method as agreed in the Structured Contracts, we are advised by our PRC legal advisors that:

- (a) 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 operating entities in PRC in case of disputes. As such, these remedies may not be available to our Group under PRC laws;
- (b) further, under the PRC laws, courts or judicial authorities in the PRC generally do not award remedies over the shares and/or assets of Guangzhou Maiyue, injunctive relief or winding-up of Guangzhou Maiyue as interim remedies, before there is any final outcome of arbitration;

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- (c) however, the PRC laws do not disallow the arbitral body to give award of transfer of assets of or equity interest in Guangzhou Maiyue at the request of arbitration applicant. 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;
- (d) in addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC; therefore, In the event we are unable to enforce the Structured Contracts, we may not be able to exert effective control over Guangzhou Maiyue, and our ability to conduct our business may be negatively affected.

### Succession

With a view to safeguarding the Group's interest in Guangzhou Maiyue in the event of death, incapacity, divorce or other event on the part of Mr. Liu and Ms. Zhao, relevant provisions (including without limitation to the following) are set out in the Structured Contracts.

Pursuant to the Business Cooperation Agreement, the rights and obligations prescribed under the Structured Contracts constitute an undividable part of the equity interest in Guangzhou Maiyue, unless otherwise instructed by Guangzhou Suiya, any person acquiring or exercising the equity interest in Guangzhou Maiyue through any means (including without limitation transfer, division of property, succession, guardianship, agency) is deemed to agree and accept the relevant rights and obligations pursuant to the Structured Contracts, as if such person has executed the Structured Contracts himself/herself/itself. If such successor raises any objection, disagreement or other reserved opinion as regards the relevant rights and obligations pursuant to the Structured Contracts, any action or inaction of such person which contravenes the Structured Contracts shall be invalid, and Guangzhou Suiya shall reserve its legal right to claim against any losses so caused to Guangzhou Suiya.

Further, pursuant to the Business Cooperation Agreement, each of Mr. Liu and Ms. Zhao has also warranted to Guangzhou Suiya that he/she has duly made all arrangements and executed all documents to ensure that in the event of his/her death, incapacity, divorce or other circumstances which may affect the exercise of his/her equity interest, his/her successors, guardians, spouse or other persons who may acquire the equity interest or related rights shall not be able to affect or hinder the performance of the Business Cooperation Agreement.

Mr. Liu further warranted to Guangzhou Suiya that himself and his spouse had both agreed that in the event of any restriction or loss of capacity of Mr. Liu, or the death of Mr. Liu or his spouse or their divorce, Mr. Liu's equity interest in Guangzhou Maiyue shall be unconditionally transferred to Guangzhou Suiya or other persons designated by the Company for nil consideration; in such circumstances, Mr. Liu and his spouse, guardian and administrator shall unconditionally and for nil consideration provide all necessary assistance and support at the request of Guangzhou Suiya or other persons designated by the Company, in order to complete any legal procedures for the abovementioned equity transfer. Mr. Liu's equity interest in Guangzhou Maiyue shall not form part of the properties which are subject to division and re-distribution as a result of the death of Mr. Liu or his spouse or their divorce.

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In addition, Mr. Liu’s spouse has executed the Spouse Undertaking, details of which are set out in the section headed “Structured Contracts — Summary of the Structured Contracts — (7) Spouse Undertaking” of this document.

Based on the above, our PRC legal advisors are of the view that (i) the Structured Contracts and the arrangements contemplated thereunder provide protection to the Group even in the event of death of the shareholders of Guangzhou Maiyue; and (ii) the death of such shareholders would not affect the validity of the Structured Contracts and the arrangements contemplated thereunder, and in the case of the death of the shareholders of Guangzhou Maiyue, Guangzhou Suiya or the party designated by Guangzhou Suiya would be entitled to get the equity interest in Guangzhou Maiyue in accordance with the Structured Contracts, or if successors of such shareholders are entitled to the equity interest in Guangzhou Maiyue in accordance with PRC Laws, Guangzhou Suiya can enforce its right under the Structured Contracts against such successors.

### **Arrangements to address potential conflicts of interest**

Pursuant to the Business Cooperation Agreement, each of the shareholders of Guangzhou Maiyue has undertaken to Guangzhou Suiya that without prior written consent by Guangzhou Suiya, shareholders of Guangzhou Maiyue shall not directly or indirectly engage in, participate in or carry out or acquire or hold interest in, or use information obtained from Guangzhou Maiyue to engage in or directly or indirectly participate in any business or activities which is or may be in competition with that of Guangzhou Maiyue and its subsidiaries, or acquire any benefits from such competing business.

Further, each of the shareholders of Guangzhou Maiyue has undertaken to Guangzhou Suiya that he/she shall not take any action or inaction which may contradict the intentions and purposes of the Structured Contracts, which results in or may result in a conflict between the interest of Guangzhou Maiyue or its subsidiaries and the interest of Guangzhou Suiya. In the event that such a conflict occurs, he/she shall uphold the legitimate interest of Guangzhou Suiya in the Structured Contracts and act in accordance with Guangzhou Suiya’s direction.

### **Loss sharing**

The Structured contracts do not provide for obligations of the Company or Guangzhou Suiya to share the losses of Guangzhou Maiyue or provide financial support to Guangzhou Maiyue. As Guangzhou Maiyue is a limited liability company, it shall be solely liable for its own debts and losses with assets and properties owned by it. Under PRC laws and regulations, the Company or Guangzhou Suiya is not expressly required to shares the losses of or provide financial support to Guangzhou Maiyue. However, since Guangzhou Maiyue’s financial condition and results of operations are consolidated into the Group’s financial condition and results of operations, the Company’s business, financial condition and results of operation may be adversely affected if Guangzhou Maiyue suffers losses.

However, such risks may be mitigated by the restrictive provisions contained in the Structured Contracts as disclosed in the respective sections headed “(1) Business Cooperation Agreement” and “(3) Exclusive Call Option Agreement” above.

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### Liquidation

As disclosed in the section headed "(1) Business Cooperation Agreement" above, Mr. Liu has agreed that in the event of dissolution, liquidation, insolvency or reorganisation etc of Guangzhou Maiyue, (i) Guangzhou Suiya and/or its authorised person shall have the right to exercise all shareholder's rights for and on behalf of Mr. Liu; (ii) Mr. Liu shall transfer and instruct Guangzhou Maiyue to directly hand over all properties he is entitled to as a results of the dissolution or liquidation of Guangzhou Maiyue to Guangzhou Suiya or other designated parties of the Company for nil consideration; (iii) if consideration is required for the abovementioned transfer of properties under the then effective PRC laws, Mr. Liu shall reimburse the amount of the consideration to Guangzhou Suiya or other designated parties of the Company.

### Termination

As disclosed above, save for the Equity Pledge Agreement which shall continue to be in force until all obligations thereunder have been performed or all Secured Indebtedness has been repaid in full, each of the Business Operation Agreement, the Exclusive Technical Services and Management Consultancy Agreement, the Exclusive Call Option Agreement, the Shareholders' Rights Entrustment Agreement, the Power of Attorney and the Spouse Undertaking shall be terminated upon the completion of the purchase of all of Mr. Liu's equity interest in Guangzhou Maiyue by Guangzhou Suiya pursuant to the terms of the Exclusive Call Option Agreement.

### Effect and legality of the Structured Contracts

Based on the reasonable actions and steps taken by our PRC legal advisors in reaching its conclusions, our PRC legal advisors are of the opinion that:

- (a) each of Guangzhou Suiya and Guangzhou Maiyue is an independent legal entity which is duly incorporated, and their respective establishment is valid, effective and complies with the relevant PRC laws and regulations; each of Guangzhou Suiya and Guangzhou Maiyue has also obtained all necessary approvals and completed all registration procedures as required by the applicable PRC laws and regulations and has the capacity to carry out business operations in accordance with their respective licences;
- (b) each of the Structured Contracts are legal, valid and binding on the parties thereof and are enforceable under applicable PRC laws and regulations;
- (c) none of the Structured Contracts violates any provision of the articles of association of Guangzhou Maiyue;
- (d) the validity, legality and enforceability of any of the Structured Contracts as well as the parties' entering into and performance of the Structured Contracts do not require approval from the PRC governmental authorities, except that (i) the Equity Pledge Agreement is subject to registration requirements with relevant Administration of Industry and Commerce, and such registration has been duly completed; (ii) the transfer of equity interests in Guangzhou Maiyue contemplated under the Structured Contracts is subject to applicable

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approval and/or registration requirements under PRC laws; and (iii) any arbitral awards or foreign rulings and/or judgments in relation to the performance of the Structured Contracts are subject to applications to competent PRC courts for recognition and enforcement; and

- (e) the consummation of the contemplated [REDACTED] of the Company’s shares on the Stock Exchange does not violate the M&A Rules.

In addition, pursuant to consultation with GDCA conducted by our PRC Legal Advisors and the PRC legal advisors to the Sole Sponsor in June 2015, the government officials gave oral confirmation that (i) foreign investment in value-added telecommunication business is subject to the Qualification Requirement as detailed in the section headed “Regulations” in this document; (ii) GDCA has not received any non-compliance reporting regarding Guangzhou Maiyue, nor does GDCA have any record of administrative penalties imposed on Guangzhou Maiyue for violation of laws and regulations; and (iii) the existing regulation on the telecommunication industry do not have specific rules regarding the Structured Contracts, such arrangement shall be subject to the regulation of national basic laws such as the contract law and the telecommunication authorities would administer the enterprises within their jurisdiction strictly in accordance with the PRC laws and rules. Our PRC legal advisor is of the view that GDCA is the competent regulatory authority to give such assurance and interpret the Structured Contracts.

We have been advised by our PRC legal advisors that there were certain PRC court rulings and arbitral decisions which held that certain agreements were invalid because deemed to be created with the intention of circumventing foreign investment restrictions in the PRC, thus violating the prohibition against “concealing an illegitimate purpose under the guise of legitimate acts” as set out in Article 52 of the PRC Contract Law and Article 58 of the General Principles of the PRC Civil Law. Pursuant to Article 52 of the PRC Contract Law, a contract is void under any of the five circumstances: (i) the contract is concluded through the use of fraud or coercion by one party and thereby damages the interest of the State; (ii) malicious collusion is conducted to damage the interest of the State, a collective unit or a third party; (iii) the contract damages the public interest; (iv) an illegitimate purpose is concealed under the guise of legitimate acts; or (v) the contract violates the mandatory provisions of the laws and administrative regulations.

Our PRC legal advisors are of the opinion that the Structured Contracts and the arrangements contemplated thereunder do not fall within any of the five circumstances mentioned above, nor do they violate the provisions of the PRC Contract Law or the General Principles of the PRC Civil Law.

### **Company’s confirmation**

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 Guangzhou Maiyue under the Structured Contracts.

### **Insurance**

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



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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.” in this document.

### Internal Control Measures

We plan to take the following internal control measures in order to ensure proper implementation of the Structured Contracts:

- (a) our Board will conduct periodic review the major issues arising from implementation and performance of the Structured Contracts at least on a quarterly basis, where the Board will review and consider matters relating to compliance and regulatory matters concerning the Structured Contracts and the arrangement contemplated thereunder;
- (b) Ms. Chen, our executive Director will lead a team of designated personnel to be responsible for monitoring the proper implantation of and Mr. Liu and Ms. Zhao’s compliance with and performance of the Structured Contracts;
- (c) we will keep our Shareholders informed of our business operations through Structured Contracts in our annual reports;
- (d) in terms of daily operation, the bank accounts of Guangzhou Maiyue are operated through its company seal and the personal seal of a director nominated by Guangzhou Suiya. Such company seal is currently kept by Ms. Chen, our executive Director.

### Accounting aspects of the arrangements contemplated under the Structured Contracts

According to HKFRSs “Consolidated Financial Statements”, 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 Guangzhou Maiyue, the arrangements contemplated under the Structured Contracts described above enable our Company to exercise control over Guangzhou Maiyue during the Track Record Period.

Under the Business Cooperation Agreement and the Exclusive Technical Services and Management Consultancy Agreement, it was agreed that, in consideration of the services provided by Guangzhou Suiya, Guangzhou Maiyue will pay a service fee to Guangzhou Suiya in respect of each financial year. Such service fee shall be calculated by Guangzhou Suiya by reference to the financial conditions of Guangzhou Suiya and Guangzhou Maiyue, and the amount shall be equivalent to 75% of Guangzhou Maiyue’s distributable profits for the year (including any dividends, distributions or other income obtained by Guangzhou Maiyue from its subsidiaries) after deducting all costs, expenses and taxes necessary for business operations, losses from the previous year (if any) and relevant reserve funds (if applicable). Guangzhou Suiya has the right to adjust the amount of such service fee by reference to the actual services provided and the actual business operations and needs of Guangzhou Maiyue, provided that any adjusted amount shall not exceed the amount mentioned above. Therefore, through the operation of the Business Cooperation Agreement and the Exclusive Technical Services and Management Consultancy Agreement, Guangzhou Suiya has the ability to extract such proportion of all the economic benefit of Guangzhou Maiyue represented by Mr. Liu’s equity interest.

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In addition, Guangzhou Suiya also has control over the distribution of dividends or any other form of profit to the shareholders of Guangzhou Maiyue as such distribution would require Guangzhou Suiya’s prior written consent, except that it was agreed in the Exclusive Technical Services and Management Consultancy Agreement that, after payment of the service fee and any reasonable disbursements incurred by Guangzhou Suiya in the course of provision of its services, and deduction of expenses, taxes, losses and statutory reserves of Guangzhou Maiyue, the remaining distributable profits shall be distributed to Ms. Zhao.

Further, pursuant to the Shareholders’ Rights Entrustment Agreement and the Power of Attorney, Guangzhou Suiya assumes the rights of Mr. Liu as a shareholder of Guangzhou Maiyue, including the rights to propose and attend shareholders’ meetings and to exercise all voting rights.

As a result of these agreements, the Company has obtained control over Guangzhou Maiyue through Guangzhou Suiya and the Company is able to receive such proportion of all the economic benefit of Guangzhou Maiyue represented by Mr. Liu’s equity interest. Based on such contractual arrangements and from an accounting prospective, we have concluded that it is appropriate to consolidate the financial statements of Guangzhou Maiyue, notwithstanding the lack of equity interest ownership, as if it were our subsidiary, in accordance with HKFRSs 10 “Consolidated Financial Statements.”

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## CONNECTED TRANSACTIONS

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### OVERVIEW

We have entered into certain transactions with parties who are our connected persons and these transactions will continue following the [REDACTED], thereby constituting continuing connected transactions of our Group under Chapter 14A of the Listing Rules.

### EXEMPT CONTINUING CONNECTED TRANSACTIONS

Set out below is a summary of our continuing connected transactions which are fully exempt from the relevant reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. The Directors confirm that the transaction set out in this section was carried out on normal commercial terms.

#### **Tenancy Agreement between Guangzhou Daojia and Ms. Chen**

Pursuant to a tenancy Agreement entered into between Guangzhou Daojia and Ms. Chen on January 1, 2014 (the “**Chen Tenancy Agreement**”), Ms. Chen leased to Guangzhou Daojia an office premises located at No. 1716, Block 3, No. 9 Jieshun Lu, Nancun, Panyu, Guangzhou, Guangdong, the PRC (the “**Chen Property**”) of a total gross floor area of 49.75 square meters at the monthly rental of RMB1,000. The Chen Property is owned by Ms. Chen, an executive Director. The Chen Tenancy Agreement will expire on December 31, 2015.

The terms of the Chen Tenancy Agreement, including the rental for the Chen Property, were agreed after arm’s length negotiations between Guangzhou Daojia and Ms. Chen with reference to prevailing market rental. Given that each of the applicable percentage ratios in respect of the transaction under the Chen Tenancy Agreement is, on an annual basis, less than 0.1%, such transaction will, pursuant to Rule 14A.76(1) of the Listing Rules, constitute a de minimis continuing connected transaction which will be fully exempt from the relevant reporting, announcement and Shareholders’ approval requirements.

#### **Tenancy Agreement between Guangzhou Maiyue and Mr. Liu**

Pursuant to two tenancy Agreements entered into between Guangzhou Maiyue and Mr. Liu on October 13, 2014 (the “**Liu Tenancy Agreement**”), Mr. Liu leased to Guangzhou Maiyue two office premises located at No. 1719 and 1720, Block 3, No. 9 Jieshun Lu, Nancun, Panyu, Guangzhou, Guangdong, the PRC (the “**Liu Properties**”) of a total gross floor area of 99.64 square meters at the monthly rental of RMB5,600. The Liu Properties are owned by Mr. Liu, an executive Director and Controlling Shareholder. The Liu Tenancy Agreement will expire on October 15, 2015.

The terms of the Liu Tenancy Agreement, including the rental for the Liu Properties, were agreed after arm’s length negotiations between Guangzhou Maiyue and Mr. Liu with reference to prevailing market rental. Given that each of the applicable percentage ratios in respect of the transaction under the Liu Tenancy Agreement is, on an annual basis, less than 0.1%, such transaction will, pursuant to Rule 14A.76(1) of the Listing Rules, constitute a de minimis continuing connected transaction which will be fully exempt from the relevant reporting, announcement and Shareholders’ approval requirements.

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## CONNECTED TRANSACTIONS

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### NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following transaction has been carried out by our Group and the connected persons of our Group during the Track Record Period and, is expected to continue after the [REDACTED], which will constitute continuing connected transaction and will not be exempt from all reporting, announcement and/or independent shareholders’ approval requirements set out in Chapter 14A of the Listing Rules upon the [REDACTED]:

#### **Structured Contracts**

##### *Description of the transaction*

As disclosed in the section headed “Structured Contracts” in this document, the business operations of the Guangzhou Maiyue constitute a business restricted to foreign investment in the PRC, therefore, we cannot directly acquire equity interests in Guangzhou Maiyue. As a result, our Group has entered into a series of agreements narrowly tailored to provide our Group with control over Guangzhou Maiyue and grant our Group the right to acquire up to 75% of the equity interests in Guangzhou Maiyue when and to the extent permitted by the PRC laws and regulations. Under the Structured Contracts, our Group supervises and controls the business operations of Guangzhou Maiyue and derives economic benefit from Guangzhou Maiyue.

The Structured Contracts consist of seven agreements, namely (a) the Business Cooperation Agreement, (b) the Exclusive Technical Services and Management Consultancy Agreement, (c) the Power of Attorney, (d) the Equity Pledge Agreement, (e) the Exclusive Call Option Agreement, (f) the Shareholders’ Rights Entrustment Agreement and (g) the Spouse Undertaking. Please refer to the section headed “Structured Contracts” for further details. Our PRC Legal Advisor has advised that the Structured Contracts as a whole and each of the agreements comprising the Structured Contracts are legal, valid and binding on the parties and are enforceable under applicable PRC laws and regulations.

##### *Reasons for the transaction*

The Structured Contracts, taken as a whole, permit the results and financial operations of Guangzhou Maiyue to be consolidated by our Group as if it were our subsidiary, resulting in 75% of the economic benefits of its business that will be attributable to Mr. Liu flowing to our subsidiary, Guangzhou Suiya and us. Through the appointment by Guangzhou Suiya of the majority of the directors and senior management of Guangzhou Maiyue, we believe that Guangzhou Suiya is able to effectively supervise, manage and operate the business operations, expansion plans and financial policies of Guangzhou Maiyue, 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 a controlling equity interest of Guangzhou Maiyue 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 Guangzhou Maiyue, pursuant to the Structured Contracts, we are entitled to control the business of Guangzhou Maiyue in substance.

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## CONNECTED TRANSACTIONS

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### *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 operation of our O2O business line. Such transactions 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 Guangzhou Maiyue’s financial results to be consolidated into our financial statements as if it were our 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.

### *Listing Rules implication and waiver application*

Guangzhou Maiyue is owned as to 75% by Mr. Liu and therefore our connected person pursuant to Rule 14.07 of the Listing Rules. The transactions under the Structured Contracts constitute continuing connected transactions for our Company which are subject to the reporting, annual cap, 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 requirements of (i) announcement and independent shareholders’ approval in respect of transactions under the Structured Contracts; (ii) setting a maximum aggregate annual value, i.e. an annual cap, for the fees payable to the Group under the Structured Contracts; and (iii) limiting the contractual term to no more than three years under 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: no changes to the Structured Contracts will be made without the approval of our 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) Control of economic benefits: the Structured Contracts continue to enable our Group to receive the relevant economic benefits derived by Guangzhou Maiyue through: (i) our option (if and when permitted under PRC laws) to acquire, up to 75% of the entire equity interest of

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## CONNECTED TRANSACTIONS

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Guangzhou Maiyue at the lowest price permissible under PRC laws; and (ii) our right to govern the financial and operating policies as well as, in substance, the voting rights sufficient to control Guangzhou Maiyue;

- (d) Renewal and cloning: On the basis that the Structured Contracts provide an acceptable framework for the relationship between our Company and our subsidiaries, on one hand, and Guangzhou Maiyue, on the other hand, 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;
  - our 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 75% of the net profit generated by Guangzhou Maiyue and our subsidiaries have been mainly retained by our Group; and (ii) any new Structured Contracts entered into, renewed or reproduced between Guangzhou Maiyue 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;
  - 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;
  - for the purposes of Chapter 14A of the Listing Rules, Guangzhou Maiyue will be treated as our Company's subsidiary, and its respective directors, chief executives or substantial shareholders of Guangzhou Maiyue 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

## CONNECTED TRANSACTIONS

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- Guangzhou Maiyue 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.

### **Sole Sponsor’s Confirmations**

The Sole Sponsor has confirmed to our Company that the Sole Sponsor is of the opinion that the non-exempt continuing connected transactions represented by the Structured Contracts 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 our Company and the Shareholders as a whole. With respect to the term of the Structured Contracts which 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 Guangzhou Maiyue can be effectively controlled by Guangzhou Suiya; and (ii) Guangzhou Suiya can obtain the economic benefits from the operation of Guangzhou Maiyue, both on an on-going basis.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the [REDACTED] and the [REDACTED], Mr. Liu, Dawngate and Qichang will control more than [REDACTED] of the issued share capital of our Company, on the assumption that the [REDACTED] and any option which has been granted under the [REDACTED] and may be granted under the Share Option Scheme are not exercised, and hence, for the purpose of the Listing Rules, will continue to be our Controlling Shareholders. At the Latest Practicable Date, Mr. Liu was the settlor of the Liu Family Trust. Mr. Liu and the Liu Family Trust collectively owned the entire issued share capital of Dawngate, and Qichang was owned as to 40% by Dawngate. Both of Dawngate and Qichang are investment holding companies solely for the purpose of holding interest in the share capital of our Company. For further information on the shareholding of our Controlling Shareholders, please refer to the section headed “Substantial Shareholders” in this document.

Our Controlling Shareholders and Directors confirm that they do not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules. During the Track Record Period, Zhong Ao Construction and Zhong Ao Hotel, which were principally engaged in commercial services to real estate developers and hotels respectively, were disposed of by Zhong Ao Property to Mr. Wang Hongwei (王紅衛), an Independent Third Party. None of Zhong Ao Construction and Zhong Ao Hotel was engaged in any business that competes with our business.

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from the Controlling Shareholders and their respective associates after the [REDACTED].

#### Management Independence

The Board comprises four executive Directors, three non-executive Directors and four independent non-executive Directors. Each of our Directors is aware of his/her fiduciary duties as a director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests. The Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her associates has a material interest.

Although Mr. Liu, being our Controlling Shareholder and executive Director, also holds directorship in the board of director of Qichang, being our Controlling Shareholder, our Board functions independently of Qichang and other companies involving in the private investments which Mr. Liu may have apart from the investment in our Company. Since Qichang is an investment holding company with no operative business and that Mr. Liu does not involve in any other business that is in competition with our business, our Directors believe that the independence of management of our Group will not be affected or compromised by the dual roles of Mr. Liu on our Board and his interest in Qichang and his other private investments. In the circumstances where our executive Directors are required to abstain from voting due to potential conflict of interest, it will fall to our independent non-executive Directors to employ their business judgment to make decision in our Board. Given the experience of our independent non-executive Directors, details of which are set out in the section headed “Directors, senior management and employees” of this document, we believe that the remaining Board can still function properly in the event that our executive Directors are required to abstain from voting.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role in our Group independently.

### Operational Independence

All our operating subsidiaries hold all relevant licenses, trademarks and copyrights that are material in relation to our business operations in their own names. We have sufficient operational capacity in terms of capital and employees to operate our business independently. We also have independent access to suppliers, sub-contractors and customers and an independent management team to handle our day-to-day operations.

We are led by a management team with extensive experience in the property management industry. Mr. Liu, our chairman and chief executive officer, and Ms. Chen, our vice chairman are founders of our Group. Mr. Liang and Mr. Long, both of whom are our vice chairman, joined our Group in 2005 and 2008 respectively. Please refer to the section headed “Directors, senior management and employees” in this document for further details.

Based on the above, our Directors are satisfied that we have been operating independently from our Controlling Shareholders during the Track Record Period and will continue to operate independently.

### Financial Independence

As at the Latest Practicable Date, there was no outstanding loan granted by our Controlling Shareholders or any of its associates to us and there was no guarantee provided for our benefit by our Controlling Shareholders or any of their associates. We have sufficient capital and banking facilities to operate our business independently.

We have our own accounting systems, accounting and finance department, independent treasury function for cash receipts and payments and we make financial decisions according to our own business needs. Our Directors believe that we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders.

## NON-COMPETITION UNDERTAKINGS

Each of our Controlling Shareholders (collectively, the “**Covenantors**”) has given certain non-competition undertakings in favor of our Company (for itself and as trustee for each of our subsidiaries) under the Deed of Non-competition, pursuant to which each of the Covenantors, jointly and severally, warrants and undertakes with our Company that, from the [REDACTED] and ending on the occurrence of the earlier of:

- (a) any of the Covenantor, and his/her/its associates and/or successor, individually and/or collectively, cease to own 30% (or such percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as our Controlling Shareholder; or

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (b) the Shares cease to be listed on the Stock Exchange (except for temporary suspension of the Shares due to any reason),

he/she/it will not, and will procure any of his/her/its associates and any company directly or indirectly controlled by he/she/it (which for the purpose of the Deed of Non-competition, shall not include any member of our Group) not to either on his/her/its own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any business which, directly or indirectly, competes or may compete with the business presently carried on by our Company or any of our subsidiaries or any other business that may be carried on by any of them from time to time during the term of the Deed of Non-competition, in Hong Kong or the PRC and such other places as our Company or any of our subsidiaries may conduct or carry on business from time to time, including but not limited to provision of property management services and other related services (the "**Restricted Business**"). Such non-competition undertakings do not apply to:

- (i) the holding of Shares or other securities issued by our Company or any of our subsidiaries from time to time;
- (ii) the holding of shares or other securities in any company which has an involvement in the Restricted Business, provided that such shares or securities are listed on a recognized stock exchange and the aggregate interest of the Covenantor and his/her/its associates (as "interest" is construed in accordance with the provisions contained in Part XV of the SFO) does not amount to more than 5% of the relevant share capital of the company in question;
- (iii) the contracts and other agreements entered into between our Group and the Covenantor and/or his/her/its associates; and
- (iv) the involvement, participation or engagement of the Covenantor and/or his/her/its associates in the Restricted Business in relation to which our Company has agreed in writing to such involvement, participation or engagement, following a decision by our independent non-executive Directors to allow such involvement, participation or engagement subject to any conditions our independent non-executive Directors may require to be imposed.

### **New Business Opportunity**

The Covenantors have further undertaken to procure that, any business investment or other commercial opportunity relating to the Restricted Business (the "**New Opportunity**") identified by or offered to the Covenantors and/or any of their associates (other than members of our Group) (the "**Offeror**") is first referred to us in the following manner:

- (a) the Covenantors are required to, and shall procure their associates (other than members of our Group) to, refer, or procure the referral of, the New Opportunity to us, and shall give written notice to us of any New Opportunity containing all information reasonably necessary for us to consider whether (i) the New Opportunity would constitute competition with our core business and/or any other new business which our Group may undertake at the relevant time,

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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and (ii) it is in the interest of our Group to pursue the New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the "**Offer Notice**"); and

- (b) the Offeror will be entitled to pursue the New Opportunity only if (i) the Offeror has received a written notice from us declining the New Opportunity and confirming that the New Opportunity would not constitute competition with our core business, or (ii) the Offeror has not received the notice from us within 10 Business Days from our receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunity pursued by the Offeror, the Offeror will refer to the New Opportunity as so revised to us in the manner as set out above.

Upon receipt of the Offer Notice, we will seek opinions and decisions from a committee of our Board consisting of Directors who do not have a material interest in the matter (the "**Independent Board Committee**") as to whether (a) such New Opportunity would constitute competition with our core business, and (b) it is in the interest of our Company and our Shareholders as a whole to pursue the New Opportunity.

### **Call Option on Restricted Business**

The Covenantors have granted to our Company option under which our Company has the right to acquire, at a fair and reasonable consideration, their interests in any Restricted Business in which they have interest subject to the terms of the Deed of Non-Competition. The Covenantors have also granted to our Company a right of first refusal in the situation where the Covenantors or any of their associates wish to sell the whole or any part of their interests in any Restricted Business to any third party.

The option and right of first refusal for our Company to acquire the interests in any Restricted Business from the Covenantors should be exercisable when the Directors, including all the independent non-executive Directors, decide that, for the future development of the Group, it is in the best interest of our Company for the option to be exercised. Any decision on whether to exercise such options or rights of first refusal will be made by our independent non-executive Directors and be subject to approval of independent Shareholders, if applicable. In the event that our Company decides to exercise or not to exercise such options or rights of refusal, our Company will where necessary under the Listing Rules disclose such decision in public announcements setting out the details as required under the Listing Rules.

The option should cease to have effect when the obligations of the Covenantors cease under the Deed of Non-Competition.

The Covenantors undertake to provide relevant information concerning the Covenantors' interest in any Restricted Business (if any) from time to time so as to allow our Directors who are not covenantors the Independent Board Committee to make an assessment as to whether the option to acquire any part of such Restricted Business should be exercised.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### General Undertakings

To ensure the performance of the above non-competition undertakings given under the Deed of Non-competition, each of the Covenantors shall, among others:

- (a) when required by our Company, provide all information necessary for our Directors committee to conduct annual examination with regard to the compliance of the terms of the Deed of Non-competition and the enforcement thereof; and
- (b) where the Independent Board Committee has rejected the New Business Opportunity referred to by the Offeror as stipulated above regardless of whether the Offeror would thereafter invest or participate in such New Business Opportunity, procure our Company to disclose to the public either in the annual or interim report of our Company or an announcement the decision of the Independent Board Committee regarding the decision on the New Business Opportunity and the basis thereof.

In respect of the above undertakings, our Company confirms that, if the Independent Board Committee has rejected the New Business Opportunity referred to by the Offeror as stipulated above regardless of whether the Offeror would thereafter invest or participate in such New Business Opportunity, it will disclose to the public either in the annual or interim report of our Company or an announcement the decision of the Independent Board Committee regarding the decision on the New Business Opportunity and the basis thereof.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### BOARD OF DIRECTORS

Our Board of Directors consists of 11 Directors, comprising four executive Directors, three non-executive Directors and four independent non-executive Directors. Our Directors are appointed for an initial term of three years, after which they may be re-elected. The power and duties of our Directors include:

- (i) convening Shareholders’ meetings and reporting our Board’s work at the Shareholders’ meetings;
- (ii) implementing resolutions passed at Shareholders’ meetings;
- (iii) determining our business plans and investment plans;
- (iv) formulating our annual budget and final accounts;
- (v) formulating our proposals for profit distributions and for the increase or reduction of registered capital; and
- (vi) exercising other powers, functions and duties as conferred by our Articles of Association.

The following table sets forth certain information regarding members of our Board of Directors.

| <u>Name</u>           | <u>Age</u> | <u>Position/Title in our Company</u>                                 | <u>Joining our Group in</u> | <u>Date of appointment</u> | <u>Roles and responsibilities in our Group</u>  |
|-----------------------|------------|--|-----------------------------|----------------------------|---|
| Mr. Liu Jian (劉建)     | 47         | chairman, president, chief executive officer, and executive Director | September 2005              | January 5, 2015            | Supervising the overall operation and management, strategic planning and business development<br><br>Chairman of nomination committee |
| Ms. Chen Zhuo (陳卓)    | 37         | vice president and executive Director                                | September 2005              | January 5, 2015            | Overseeing financial and accounting management<br><br>Member of remuneration committee  |
| Mr. Long Weimin (龍為民) | 52         | vice president and executive Director                                | June 2008                   | January 5, 2015            | Overseeing auditing, quality control and human resources management   |
| Mr. Liang Bing (梁兵)   | 43         | vice president and executive Director                                | September 2005              | January 5, 2015            | Overseeing daily operation and business development   |
| Mr. Wei Zhe (衛哲)      | 44         | non-executive Director   | April 17, 2015              | April 17, 2015             | Providing advices as consultant on O2O business, supervising the overall management and strategic planning                            |
| Ms. Wu Qimin (吳綺敏)    | 45         | non-executive Director   | April 17, 2015              | April 17, 2015             | Providing advices on O2O business and relationship development, supervising the overall management and strategic planning             |
| Mr. Lam Yiu Por (林曉波) | 38         | non-executive Director   | April 17, 2015              | April 17, 2015             | Supervising the overall management and strategic planning   |

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

| Name                             | Age | Position/Title in our Company      | Joining our Group in | Date of appointment | Roles and responsibilities in our Group  |
|----------------------------------|-----|------------------------------------|----------------------|---------------------|--|
| Mr. Lee Kwok Tung<br>Louis (李國棟) | 47  | Independent non-executive Director | [●]                  | [●]                 | Supervising and providing independent judgment to our Board Chairman of audit committee, member of remuneration committee and nomination committee |
| Mr. Yuan Boyin<br>(袁伯銀)          | 49  | Independent non-executive Director | [●]                  | [●]                 | Supervising and providing independent judgment to our Board Member of remuneration committee, audit committee and nomination committee             |
| Mr. Wu Haibing<br>(吳海兵)          | 43  | Independent non-executive Director | [●]                  | [●]                 | Supervising and providing independent judgment to our Board Member of audit committee, remuneration committee and nomination committee             |
| Mr. Zhang Weilun<br>(張維倫)        | 43  | Independent non-executive Director | [●]                  | [●]                 | Supervising and providing independent judgment to our Board Chairman of remuneration committee, member of audit committee and nomination committee |

*Note:* Each of the Directors does not have any relationship with any other Directors and any members of our senior management.

### Executive Directors

**Mr. Liu Jian (劉建)**, aged 47, is the chairman, president and the chief executive officer of our Company and was appointed as an executive Director of our Company on January 5, 2015. As a founder of our Group, Mr. Liu is also a director of Zhong Ao Holdings, Zhong Ao HK, Guangzhou Suiya, Zhong Ao Property, Ningbo Disai, Hangzhou Huacheng, Hangzhou Lvdu, Guangzhou Daojia and Guangzhou Maiyue. Being one of the first members of our Group, Mr. Liu founded Zhong Ao Property with Ms. Chen in September 2005. Mr. Liu was appointed as the sole director of Zhong Ao Property in September 2005 and has been primarily responsible for overall operation and management, strategic planning and business development. Mr. Liu plays a key role in our business development and has led our business expansion from Guangdong province to other parts of China. Prior to joining our Group, Mr. Liu worked at Guilin Park Hotel Co., Ltd. (桂林桂湖飯店有限公司) from May 1990 to August 1994 and his last position held was manager. From September 1994 to March 1999, he worked at Guilin Royal Gardens Hotel Co., Ltd. (桂林帝苑酒店有限公司) and his last position held was manager. From 1999 to December 2003, Mr. Liu served as general manager of Guangzhou Olympic Garden Property Co. Ltd. (廣州奧林匹克花園物業公司) and from February 2004 to June 2005, as general manager of Nanguo Aoyuan Property Company (南國奧園物業公司), both companies being subsidiaries of Guangdong Yabo Property Service Company Limited (廣東雅博物業服務有限公司) (“**Guangdong Yabo**”). Mr. Liu graduated from Huazhong University of Science and Technology (華中理工大學) with a bachelor’s degree in economics in 1988. In 2008, Mr. Liu attained a master’s degree in business administration from Asia International Open University (Macau).

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Ms. Chen Zhuo (陳卓)**, aged 37, is a vice president of our Company and was appointed as an executive Director of our Company on January 5, 2015. Ms. Chen is also a director of Zhong Ao Holdings, Zhong Ao HK, Guangzhou Xuji, Zhong Ao Property, Ningbo Disai, Guangzhou Daojia and Guangzhou Maiyue. Ms. Chen joined our Group as vice president when Zhong Ao Property was established in September 2005. As a founder and a member of the core management team of our Group, she has been primarily responsible for overall operation and management, strategic planning and business development. Ms. Chen served as deputy general manager of Guangdong Yabo from August 2002 to March 2005. Ms. Chen received a bachelor's degree from Sun Yat-sen University (中山大學) in 1999, majoring in business management. Ms. Chen obtained the qualification of a property management manager in 2000 from the Ministry of Construction of the PRC.

**Mr. Long Weimin (龍為民)**, aged 52, is a vice president of our Company and was appointed as an executive Director of our Company on January 5, 2015. Mr. Long is also a director of Zhong Ao Holdings, Zhong Ao HK and Zhong Ao Property. Mr. Long joined our Group as vice president in June 2008. As a member of our core management team, he has been primarily responsible for overall operation and management, strategic planning and business development. Mr. Long has 14 years of experience in the hospitality industry. Prior to joining our Group, Mr. Long served as a deputy general manager at Guangxi Nanning Fenghuang Lodge (廣西南寧鳳凰賓館) from November 2001 to January 2004, as a deputy general manager at Purui Hotspring Hotel (普瑞溫泉酒店) from 2003 to 2007 and as a general manager at Luoyang Mudou International Hotel Co. Ltd. (洛陽鉅都國際飯店有限公司) from 2007 to 2008. Mr. Long graduated and attained a diploma from Guangxi Radio and TV University (廣西廣播電視大學) in 1982.

**Mr. Liang Bing (梁兵)**, aged 43, is a vice president of our Company and was appointed as an executive Director of our Company on January 5, 2015. Mr. Long is also a director of Zhong Ao Holdings, Zhong Ao HK, Zhong Ao Property and Guangzhou Daojia. Mr. Liang joined our Group as vice president in September 2005. As a member of our core management team, he has been primarily responsible for overall operation and management, strategic planning and business development. Mr. Liang served as deputy general manager of Guangdong Yabo from May 2002 to June 2005. Mr. Liang graduated and attained a bachelor's degree in environmental engineering from Hunan University (湖南大學) located in Hunan, the PRC in July 1996. He obtained the qualification as a general agent in June 1997 from Administration of Industry and Commerce of Guangzhou Municipality (廣州市工商行政管理局). He later obtained a master's degree in business administration for senior management from Sun Yat-sen University (中山大學) in 2013.

None of our executive Directors has been a director of any listed company during the three years preceding the date of this document.

### Non-executive Directors

**Mr. Wei Zhe (衛哲)**, aged 44, joined our Company and was appointed as a non-executive Director of our Company on April 17, 2015. Mr. Wei is also a director of Zhong Ao Property. Mr. Wei has over 20 years of experience in both investment and operational management in the PRC. Prior to joining our Group, Mr. Wei served as corporate finance manager at Coopers & Lybrand (now part of PricewaterhouseCoopers) from 1995 to 1998 and as managing director and head of investment banking at Orient Securities Company Limited from 1998 to 2000. Mr. Wei was a vice chairman, from 2002 to 2006, and a consultant, from 2007 to 2011, of China Chain Store & Franchise Association. From 2003

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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to 2006, Mr. Wei was also the chief representative for Kingfisher's China sourcing office, Kingfisher Asia Ltd. Mr. Wei joined Alibaba Group and served as senior vice president of the B2B Division, from November 2006 to January 2007, and president of the B2B Division and executive vice-president of Alibaba Group, from February 2007 to February 2011. He was the chief executive officer of Alibaba.com Limited, a leading worldwide B2B e-commerce company listed on the Stock Exchange in 2007, from October 2007 to February 2011. He was voted as one of "China's Best CEOs" by FinanceAsia magazine in 2010. He has served as a director of Vision Knight Capital General Partners Ltd., a private equity investment fund since June 2011. Mr. Wei graduated from Shanghai International Studies College (上海外國語學院) with a bachelor's degree in international business management in July 1993. He also completed the EMBA corporate finance evening program at London Business School in June 1998.

Mr. Wei was a non-executive director of HSBC Bank (China) Company Limited from April 2007 to February 2011 and The Hongkong and Shanghai Banking Corporation Limited from January 2008 to February 2011. He was also an executive director of Alibaba.com Limited from October 2007 to February 2011. He was an independent non-executive director of PCCW Limited, a company listed on the Main Board of the Stock Exchange (stock code: 00008), from November 2011 to May 2012 and was re-designated as a non-executive director in May 2012. He is currently a non-executive director of PCCW Limited.

**Ms. Wu Qimin (吳綺敏)**, aged 44, joined our Company and was appointed as a non-executive Director of our Company on April 17, 2015. Ms. Wu is also a director of Zhong Ao Property. Ms. Wu joined E-house Capital (易居資本) in 2008 and is currently a general manager of Shanghai Yidexin Equity Investment Management Co., Ltd. (上海易德信股權投資管理有限公司). Ms. Wu graduated from Shanghai Institute of Urban Construction (上海城市建設學院) with a bachelor's degree in civil engineering in 1992. She later obtained a master's degree in construction economics and management from Tongji University (同濟大學) in 1999. She is currently a director of Shanghai Trendzone Construction Decoration Group Co., Ltd. (上海全築建築裝飾集團股份有限公司) (stock code: 603030), a company listed on the Main Board of the Shanghai Stock Exchange.

**Mr. Lam Yiu Por (林曉波)**, aged 38, joined our Company and was appointed as a non-executive Director of our Company on April 17, 2015. Mr. Lam is also a director of Zhong Ao Property. Mr. Lam has more than 16 years of experience in finance and accounting. On November 18, 2013, Mr. Lam joined L'sea Resources International Holdings Limited (利海資源國際控股有限公司) (stock code: 00195), and is currently serving as the vice president and chief financial officer of L'sea Resources International Holdings Limited. Mr. Lam graduated from the Hong Kong Polytechnic University with a bachelor's degree in accountancy in November 1997. He is also a fellow member of the Association of Chartered Certified Accountants, a certified public accountant of the Hong Kong Institute of Certified Public Accountants, a chartered financial analyst of the Chartered Financial Analyst Institute and an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

Mr. Lam is currently an independent non-executive director of Yat Sing Holdings Limited (日成控股有限公司) (stock code: 03708) and was an independent non-executive director of GR Properties Limited (國銳地產有限公司) (stock code: 00108), during the period of June 2012 to February 2014, both companies which are listed on the Stock Exchange.



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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### Independent Non-executive Directors

**Mr. Lee Kwok Tung Louis (李國棟)**, aged 47, joined our Company and was appointed as an independent non-executive Director of our Company on [●]. Mr. Lee has gained over 22 years of experience with unlisted groups, listed groups and professional firms in finance, accounting and auditing since 1993. Prior to joining our Group, he worked at Deloitte Touche Tohmatsu, an international CPA firm, from 1993 to 1999 and his last position held was senior accountant. From October 1999 to May 2003, Mr. Lee worked at Bright & Shine Corporate Finance Limited and his last position held was director. From May 2003 to June 2008, Mr. Lee worked at Deloitte Touche Tohmatsu and his last position held was senior manager. Mr. Lee then served as the vice president of Meadville Holdings Limited, a company formerly listed on the Main Board of the Stock Exchange and was privatised and voluntarily delisted in 2010, from July 2008 to June 2010. Mr. Lee has been serving as the financial controller of Lung Ming Mining Co. Limited since September 2010. Mr. Lee graduated from Macquarie University, Australia with a bachelor’s degree in Economics in April 1993. Mr. Lee is a certified public accountant of the Hong Kong Institute of Certified Public Accountants since October 1999 and a certified practicing accountant of the CPA Australia since June 1996.

Mr. Lee is currently an independent non-executive director of CGN Mining Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 01164) and an independent non-executive director of Winto Group (Holdings) Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 08238).

**Mr. Zhang Weilun (張維倫)**, aged 43, joined our Company and was appointed as an independent non-executive Director of our Company on [●]. Prior to joining our Group, he worked as an assistant project manager and project manager at Shimizu Corporation (清水建設株式会社) from June 1996 to November 1997 and from December 1997 to May 1998 respectively. During 1999 to 2004, he successively served as a general manager of Nanguo Olympic Garden (南國奧林匹克花園), a president, vice-chairman and director of Wuhan Chengcheng Cultural Investment Group Co., Ltd. (武漢誠成文化投資集團股份有限公司) (later changed to Wuhan Aoyuan City Development Co., Ltd. (武漢奧園城市發展股份有限公司) and then Wuhan Wanhong Group Co., Ltd. (武漢萬鴻集團股份有限公司)) (stock code: 600681), a company listed on the Shanghai Stock Exchange, an executive vice president and a director of Aoyuan Group Limited (奧園集團有限公司). Mr. Zhang has been the chairman and general manager of Guangzhou Willsun Real Estate Co., Ltd. (廣州維森置業有限公司) since 2005. Mr. Zhang graduated from Wuhan University of Hydraulic and Electrical Engineering (武漢水利電力大學) with a bachelor’s degree in civil engineering in 1993.

Mr. Zhang has not been a director of any listed company during the three years preceding the date of this document.

**Mr. Yuan Boyin (袁伯銀)**, aged 49, joined our Company and was appointed as an independent non-executive Director of our Company on [●]. Prior to joining our Group, from July 1997 to October 2000, Mr. Yuan served as the managing director of China Resources Supermarket (Suzhou) Co., Ltd. (華潤超級市場(蘇州)有限公司). From November 2000 to May 2007, he was employed by B&Q (China) Investment Co., Ltd. (百安居(中國)投資有限公司) and held management positions of vice president of operations, vice president of buying, executive vice president of commercial and executive vice president of B2B business. From June 2007 to August 2011, he was employed by China Vanke Co., Ltd. (萬科企業股份有限公司) and held management positions of group vice president and general

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

manager of Vanke Shanghai OpCo.. From August 2011 to December 2012, he served as the president of Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團股份有限公司). From January 2013 to August 2013, he served as the chief executive officer of Shanghai Red Star Macalline Investment Co., Ltd. (上海紅星美凱龍投資有限公司). Mr. Yuan graduated from Fudan University (復旦大學) with a bachelor's degree in Science in 1985. He later obtained a master's degree in engineering from Tsinghua University (清華大學) in 1987. Mr. Yuan was a director and an executive chairman of Scintronix Corporation Ltd., a company which was listed on the Singapore Exchange, from November 2013 to February 2014.

**Mr. Wu Haibing (吳海兵)**, aged 42, joined our Company and was appointed as an independent non-executive Director of our Company on [●]. Mr. Wu has over 15 years of experience in finance. Mr. Wu worked for PricewaterhouseCoopers in the United States from May 2000 to February 2006. He later worked as a senior manager in the assurance department of PricewaterhouseCoopers Zhong Tian CPAs Limited Company from February 2006 to November 2007. Since October 2007, he has been serving as the chief financial officer of Plateno Hotels Group (formerly known as 7 Days Group Holdings Limited). Mr. Wu graduated from Shanghai Jiao Tong University (上海交通大學) with a bachelor's degree in economics in July 1994 and received a master's degree in business administration from Michigan State University in May 2000. Mr. Wu is currently a director of Country Style Cooking Restaurant Chain Co., Ltd., a company listed on the New York Stock Exchange and an independent non-executive director of Dongpeng Holdings Co., Ltd. (東鵬控股股份有限公司) (stock code: 03386), a company listed on the Main Board of the Stock Exchange.

Except as disclosed in this document, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters that need to be brought to the attention of the Shareholders in connection with the appointment of our Directors, and there is no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, including matters relating to directorships held by our Directors in any public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this document.

### SENIOR MANAGEMENT

The senior management team of our Group, in addition to the executive Directors listed above, is comprised of the following.

| <u>Name</u>        | <u>Age</u> | <u>Date of joining our Group</u> | <u>Date of appointment</u> | <u>Position/Title and responsibility</u>  |
|--------------------|------------|----------------------------------|----------------------------|---|
| Mr. Chan Kong (陳剛) | 66         | April 25, 2008                   | April 25, 2008             | Chief butler, responsible for the management and operations of butler services  |
| Mr. Luo Tao (羅濤)   | 28         | April 1, 2015                    | April 1, 2015              | Chief executive officer of Hangzhou Yidao, responsible for overseeing the development and operation of our O2O platform |

*Note:* No member of our senior management has any relationship with any Directors and any other member of our senior management.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Mr. Chan Kong (陳剛)**, aged 66, joined the Group as a vice president in April 2008. Prior to joining the Group, he served as an executive housekeeper at Guilin Riverside Resort, China (漓苑賓館) from February 1987 to February 1988. From February 1988 to January 2002, Mr. Chan worked with Macau CTS Hotel Management (International) Limited (澳門中旅(國際)酒店管理有限公司). He joined as a project coordinator in 1988 and was later assigned by a secondment to Hotel Universal Guilin in the capacity of an executive housekeeper. He was subsequently promoted and served as general manager of Hotel Universal Guilin and general manager of Hotel Metropole, Macau (澳門京都酒店) and Xi'an Eastern Haojing Hotel (西安東方濠璟酒店). From 2003 to 2004, he served as a manager at Man Wah Dongguan Hotel (東莞文華大酒店).

Mr. Chan has not been a director of any listed company during the three years preceding the date of this document.

**Mr. Luo Tao (羅濤)**, aged 28, joined the Group in April 2015 and was appointed as a chief executive officer of Hangzhou Yidao in April 1, 2015 and is responsible for overseeing the development and operation of our O2O platform. Prior to joining the Group, he served as a senior business development manager at Hangzhou Research Center of NetEase Corporation (網易杭州研究院) from June 2009 to May 2011. He joined Zhejiang Tmall Technology Co. Ltd. (浙江天貓技術有限公司), subsidiary of Alibaba Holdings Group Limited, in May 2011 and served as an operational expert until May 2015. Mr. Luo graduated from Huazhong University of Science and Technology (華中科技大學) with a bachelor's degree in internet communications in July 2009.

Mr. Luo has not been a director of any listed company during the three years preceding the date of this document.

### COMPANY SECRETARY

**Mr. Yu Chun Hong (余鎮航)**, aged 38, has been appointed as the financial controller and company secretary of our Company on April 10, 2015. He is primarily responsible for accounting, financial management and company secretarial matters of our Group. Mr. Yu has over 14 years of experience in auditing, advisory accounting and financial management. In March 2006, he joined Karrie Industrial Company Limited (“Karrie”), a subsidiary of Karrie International Holdings Limited which is listed on the Main Board of the Stock Exchange (stock code: 1050), and he left Karrie in February 2012 as a senior accountant. From December 2013 to July 2014, he served as a chief financial officer of

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Fortunia Limited. Mr. Yu is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He obtained his honours diploma in accounting from Hong Kong Shue Yan University in 2001 and his bachelor’s degree in science from Upper Iowa University (Hong Kong) in 2002. He was awarded a postgraduate diploma in investment management from the School of Professional and Continuing Education of The University of Hong Kong in 2013.

### BOARD COMMITTEES

We have established the following three committees in our Board of Directors: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with the terms of reference established by our Board of Directors.

#### Audit Committee

The Company has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The audit committee consists of four members, namely Mr. Lee, Kwok Tung Louis (李國棟), Mr. Zhang Weilun (張維倫), Mr. Yuan Boyin (袁伯銀) and Mr. Wu Haibing (吳海兵), all being our independent non-executive Directors. Mr. Lee, Kwok Tung Louis (李國棟) has been appointed as the chairman of the audit committee and is our independent non-executive Director with the appropriate professional qualifications. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

#### Remuneration Committee

The Company has established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The remuneration committee has five members, namely Mr. Lee, Kwok Tung Louis (李國棟), Mr. Zhang Weilun (張維倫), Mr. Yuan Boyin (袁伯銀), Mr. Wu Haibing (吳海兵) and Ms. Chen. Mr. Zhang Weilun (張維倫) has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and approve recommendations on management remuneration.

#### Nomination Committee

The Company has established a nomination committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The nomination committee has five members, namely Mr. Lee, Kwok Tung Louis (李國棟), Mr. Zhang Weilun (張維倫), Mr. Yuan Boyin (袁伯銀), Mr. Wu Haibing (吳海兵) and Mr. Liu. Mr. Liu has been appointed as the chairman of the nomination committee. The primary duties of the nomination committee are to review the structure, size and composition of our Board and to make recommendations to our Board on the appointment of Directors of our Company.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### Corporate Governance

Our Company intends to comply with all code provisions under the Principles of Good Governance, Code Provisions and Recommended Best Practices in Appendix 14 to the Listing Rules (the “Code”) after the [REDACTED] except for the paragraph A.2.1 of the Code, which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The role of chairman and chief executive officer of our Company are both performed by Mr. Liu since its incorporation. We consider that having Mr. Liu acting as both our chairman and chief executive officer will provide a strong and consistent leadership to our Group and allow for more effective strategic planning and management of our Group. Further in view of Mr. Liu’s experience in the industry, personal profile and role in our Group and historical development of our Group as mentioned in the section headed “History, Reorganization and Corporate Structure” in this document, we consider it is to the benefit of our Group in the business prospects that Mr. Liu continues to act as both our chairman and chief executive officer after the [REDACTED]. Therefore, our Company currently has no intention to separate the functions of chairman and chief executive officer.

Our Board is responsible for performing the corporate governance duties set out in the terms of reference in D.3.1 of the Code.

### COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of salaries, allowances, discretionary bonuses, share options, contributions to retirement benefits schemes and other benefits in kind subject to applicable laws, regulations and rules. The aggregate amount of compensation (including salaries, allowances, discretionary bonuses, contributions to retirement benefits schemes and other benefits in kind) paid to our Directors and senior management for the three years ended December 31, 2014 were RMB1,068,000, RMB1,116,000 and RMB1,137,000, respectively. The aggregate amount of compensation and benefits in kind paid to the five highest paid individuals of our Group, including directors, for the three years ended December 31, 2014 were RMB1,565,000, RMB1,638,000 and RMB1,538,000, respectively.

Under the arrangements currently in force, the estimated aggregate remunerations, excluding discretionary bonus and share-based payments expense, if any, of our Directors for the year ending December 31, 2015 is approximately RMB3,930,000.

The independent non-executive Directors receive fees from our Company. All Directors receive reimbursements from our Company for expenses which are necessary and reasonably incurred for providing services to our Company or executing matters in relation to the operations of our Company and are paid out of the funds of our Company by way of fees for their services as directors, such sums (if any) as our Directors may from time to time determine (not exceeding in aggregate an annual sum excluding other amounts payable (e.g. expenses as remuneration for employment) or such larger amount as our Company may by ordinary resolution determine). Save as disclosed above, our Directors are not entitled to receive any other special benefits from our Company. The compensation of our Directors is determined by our Board which, following the [REDACTED], will receive recommendation from the Remuneration Committee which will take into account applicable laws, regulations and rules.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past Directors for the Track Record Period for the loss of office as 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. None of our Directors waived any emoluments during the same period.

We have granted share options to some of our Directors, senior management and other employees under the [REDACTED] and have adopted the Share Option Scheme. Please refer to the sections headed “Statutory and General Information — [REDACTED]” and “Statutory and General Information — Share Option Scheme” in Appendix IV to this document for details.

### COMPLIANCE ADVISOR

We have appointed Southwest Securities (HK) Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the [REDACTED] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any estimate or other information in this document; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the [REDACTED] and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the [REDACTED] and such appointment may be subject to extension by mutual agreement.

### POTENTIAL COMPETING INTEREST

Set out below is one of our Directors who is interested in a business, which may compete with our business in accordance with Rule 8.10(2) of the Listing Rules as of the Latest Practicable Date.

| <b>Name of Director</b> | <b>Name of company</b>   | <b>Nature of business</b>           | <b>Nature of interest</b>  |
|-------------------------|--|-------------------------------------|--|
| Mr. Liang               | Guangzhou Koalac Network Technology Company Limited<br>(廣州市考拉先生網絡科技有限公司)<br>(“Koalac”) | Operation of community O2O platform | A shareholder of 9.6% equity interest in Koalac and a director of Koalac |

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Liang is a minority shareholder of Koalac and owns 9.6% equity interest in Koalac. Koalac is a company established under the laws of the PRC on May 7, 2014 and is principally engaged in the operation of community O2O platform. As we are developing our O2O platform to target the residents of the communities where we provide property management services, Koalac may potentially compete with us in the future. However, we consider that such potential competition is not and is unlikely to be significant in view of the following factors:

- a. Mr. Liang is a passive investor and minority shareholder of Koalac with less than 10% equity interest;
- b. Although Mr. Liang is a director on the board of directors of Kaolac, he does not have any control over the decisions of the board;
- c. Mr. Liang does not take part in the day-to-day management or operation of Koalac, which has a separate management team that is separate from Mr. Liang;
- d. Being our executive Director and vice president and who has joined our Group for almost ten years, Mr. Liang devotes most of his time on his duties in the management and business of our Group;
- e. Mr. Liang indirectly holds 20% interest in Qichang, our Controlling Shareholder, which in turn holds approximately 57% of the issued share capital of our Company upon the [REDACTED]. Such shareholding would not give Mr. Liang meaningful control over our Company to influence its business for the benefit of Koalac; and
- f. With his interests in our Group as an indirect Shareholder and a holder of certain [REDACTED], our Company believes these will help to align Mr. Liang's economic interests with our Group's interests.

Mr. Liang intends to resign as director from Koalac before [REDACTED].

We have not entered into any transaction with Koalac since Koalac was established in May 2014, and to the best knowledge of our Directors, Koalac is an Independent Third Party.

Save as disclosed in this document, each of the Directors does not have interest in any business which competes or is likely to compete, either directly or indirectly, with the applicant's business. Our Company shall prominently disclose the information required under rule 8.10(2)(a) of any Director's interest (including any interests acquired after [REDACTED]) in such competing business in our annual reports after [REDACTED].

## SHARE CAPITAL

Assuming the [REDACTED] is not exercised and without taking into account of any Shares which may be issued upon the exercise of any share option granted under the [REDACTED] or to be granted under the Share Option Scheme, the share capital of our Company upon completion of the [REDACTED] will be as follows.

|  | <b>Number of Shares</b>                  | <b>Nominal value</b> |
|--|--|----------------------|
|  |  | <i>(HK\$)</i>        |
| Authorized share capital   | 8,000,000,000 Shares<br>of HK\$0.01 each | 80,000,000           |
| <b>Shares in issue or to be issue, fully paid or credit as fully paid:</b> |  |                      |
| Shares in issue as of the date of this document                            | 1,000                                    | 10                   |
| Shares to be issued under the [REDACTED]                                   | [REDACTED]                               | [REDACTED]           |
| Shares to be issued under the [REDACTED]                                   | [REDACTED]                               | [REDACTED]           |
| <b>Total issued Shares on completion of the<br/>[REDACTED]</b>             | [REDACTED]                               | [REDACTED]           |

### ASSUMPTIONS

The table above assumes that the [REDACTED] has become unconditional and the issue of Shares pursuant thereto is made as described herein. It takes into no account of any Shares which may be allotted and issued upon the exercise of any options granted under the [REDACTED] or to be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchases of Shares granted to our Directors as referred to in the paragraphs headed “General mandate to issue Shares” and “General mandate to repurchase Shares” in this section.

### RANKING

The [REDACTED], together with the Shares which may be issued upon exercise of any options granted under the [REDACTED] or to be granted under the Share Option Scheme, will rank pari passu in all respects with all Shares in issue or to be issued as mentioned herein, and will qualify for all dividends or other distributions declared, made or paid after the date of this document save for entitlements under the Capitalization Issue.



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## SHARE CAPITAL

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[REDACTED]

Pursuant to the written resolutions of our Shareholders passed on [●] 2015, subject to the share premium account of our Company being credited as a result of the [REDACTED], our Directors were authorized to allot and issue a total of 599,999,000 Shares credited as fully paid at par by way of capitalization of the sum of HK\$5,999,990 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares.

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

Pursuant to the Companies Law and the terms of our Company’s memorandum and 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 details, see “Summary of the Constitution of our Company and Cayman Islands Company Law — 2. Articles of Association — (c) Alteration of capital” in Appendix III to this document.

Further, all or any of the special rights attached to our Share or any class of Shares may 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. For details, please refer to “Summary of the Constitution of our Company and Cayman Islands Company Law — 2. Articles of Association — (d) Variation of rights of existing shares or classes of shares” in Appendix III to this document.

[REDACTED]

The Company has adopted the [REDACTED]. The principal terms of the [REDACTED] are summarized in the paragraph headed “8.[REDACTED]” in Appendix IV to this document.

### **SHARE OPTION SCHEME**

The Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarized in the paragraph headed “9. Share Option Scheme” in Appendix IV to this document.

### **GENERAL MANDATE TO ISSUE SHARES**

Conditional on the conditions as stated in the section headed “Structure of the [REDACTED]” in this document being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirements that the aggregate nominal

## SHARE CAPITAL

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value of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the [REDACTED] and the [REDACTED] (excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] and any options granted under the [REDACTED] or to be granted under the Share Option Scheme); and
- (b) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to the Directors as referred to in the paragraph headed “General mandate to repurchase Shares” in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of the options granted under the [REDACTED] or to be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until whichever is the earliest of:

- (1) the conclusion of the next annual general meeting of our Company;
- (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws of Cayman Islands; and
- (3) the passing of an ordinary resolution of the shareholders of our Company in a general meeting revoking, varying or renewing such mandate.

For further details of this general mandate, please refer to the paragraph headed “1. Further Information — Written resolutions of our Shareholders passed on [●]” in Appendix IV to this document.

### GENERAL MANDATE TO REPURCHASE SHARES

Conditional on conditions as stated in the section headed “Structure of the [REDACTED]” in this document being fulfilled, the Directors have been granted a general unconditional mandate to exercise all the powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognized by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate nominal value of the Company’s share capital in issue immediately following the completion of the [REDACTED] and the [REDACTED] (excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] and any options granted under the [REDACTED] or to be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “4. Repurchase by our Company of our own securities” in Appendix III to this document.

## SHARE CAPITAL

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The general mandate to repurchase Shares will remain in effect until whichever is the earliest of:

- (1) the conclusion of the next annual general meeting of our Company;
- (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws of Cayman Islands; and
- (3) the passing of an ordinary resolution of the shareholders of our Company in a general meeting revoking, varying or renewing such mandate.

For further details of this general mandate, please refer to the paragraph headed “1. Further Information — Written resolutions of our Shareholders passed on [●]” in Appendix IV to this document.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED], assuming the [REDACTED] is not exercised and taking no account of the Shares which may be issued pursuant to the exercise of the options granted under the [REDACTED] or to be granted under the Share Option Scheme, the following persons will have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or who is 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 our Company or any other member of our Group.

| Shareholder                 | Nature of interest   | Immediately prior to the [REDACTED] |  | Immediately after the completion of the [REDACTED] (assuming the [REDACTED] is not exercised) |  |
|-----------------------------|--|-------------------------------------|--|---|--|
|                             |  | Number of Shares held               | Approximate percentage of shareholding in the total Share capital of the Company | Number of Shares held   | Approximate percentage of shareholding in the total Share capital of our Company |
| Mr. Liu                     | Founder of discretionary trust, interest of controlled corporation <sup>(Note 1)</sup> | 456,000,000                         | 76.00%   | [REDACTED]  | [REDACTED]   |
| Hilton Assets (PTC) Limited | Trustee <sup>(Note 1)</sup>  | 456,000,000                         | 76.00%   | [REDACTED]  | [REDACTED]   |
| Dawngate                    | Interest of controlled corporation <sup>(Note 2)</sup>                                 | 456,000,000                         | 76.00%   | [REDACTED]  | [REDACTED]   |
| Qichang                     | Beneficial owner   | 456,000,000                         | 76.00%   | [REDACTED]  | [REDACTED]   |
| Central Oscar               | Beneficial owner   | 90,000,000                          | 15.00%   | [REDACTED]  | [REDACTED]   |
| VKC                         | Interest of controlled corporation <sup>(Note 3)</sup>                                 | 90,000,000                          | 15.00%   | [REDACTED]  | [REDACTED]   |
| Decision Holdings           | Beneficial owner   | 54,000,000                          | 9.00%  | [REDACTED]  | [REDACTED]   |
| Hengji                      | Interest of controlled corporation <sup>(Note 4)</sup>                                 | 54,000,000                          | 9.00%  | [REDACTED]  | [REDACTED]   |

*Notes:*

- (1) The issued share capital of Dawngate is held as to 15% by Mr. Liu and 85% by Hilton Assets (PTC) Limited as trustee of the Liu Family Trust, a trust with Mr. Liu as founder and established in accordance with the laws of the Cayman Islands. The discretionary beneficiaries of the Liu Family Trust include Mr. Liu and immediate family members of Mr. Liu.
- (2) Dawngate holds 40% of the issued share capital of Qichang and is taken to be interested in all the Shares held by Qichang for the purposes of the SFO. Each of Suiya, Signgain and Onsure, being the wholly-own investment holding company of Ms. Chen, Mr. Liang and Mr. Long respectively, holds 20% of the issued share capital of Qichang.
- (3) Central Oscar is held as to approximately 95.5% and 4.5% by Vision Knight Capital (China) Fund II, L.P. and Vision Knight Capital (China) Entrepreneur Fund II, L.P. respectively, both of which are managed by VKC, an exempted limited partnership registered under the laws of the Cayman Islands, the general partner of which is VKC (China) GP II Ltd. VKC (China) GP II Ltd. is wholly-owned by VKC Cayman II Ltd. Both of VKC (China) GP II Ltd and VKC Cayman II Ltd are

## SUBSTANTIAL SHAREHOLDERS

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limited companies incorporated under the laws of the Cayman Islands. VKC Cayman II Ltd is owned as 50% by Mr. Wei Zhe and 50% by Mr. Zhu Daming. Under the SFO, each of VKC, VKC (China) GP II Ltd, VKC Cayman II Ltd, Mr. Wei Zhe and Mr. Zhu Daming is deemed to be interested in the 90,000,000 Shares held by Central Oscar.

- (4) Decision Holdings is wholly-owned by Hengji, a limited partnership registered under PRC laws, the general partner of which is Yidezhao, which is also a limited partnership registered under PRC laws. Yidezhao is managed by Yubo, a limited company established in the PRC which is an indirect subsidiary of E-House. Under the SFO, each of Hengji, Yidezhao and Yubo is deemed to be interested in the 54,000,000 Shares held by Decision Holdings.

If the [REDACTED] is fully exercised, the shareholding held by Qichang, Central Oscar and Decision Holdings will be approximately [REDACTED], [REDACTED] and [REDACTED], respectively.

Except as disclosed in this document, our Directors are not aware of any person who will, immediately following the Capitalisation Issue and the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account any Shares which may be issued upon the exercise of any options granted under the [REDACTED] which may be granted under the Share Option Scheme), have interests or short positions in any of 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 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.

## FINANCIAL INFORMATION

*The following discussion and analysis of our business, financial condition and results of operations is based on and should be read in conjunction with our financial statements as of and for each of the years ended December 31, 2012, 2013 and 2014, including the notes thereto, as set forth in “Appendix I — Accountants’ Report” and other financial information appearing elsewhere in this document.*

*This discussion contains forward-looking statements that involve risks and uncertainties. We caution you that our business and financial performance are subject to substantial risks and uncertainties including, but not limited to, those factors included in the section headed “Risk Factors” in this document. Our future results could differ materially from those projected in the forward-looking statements.*

### OVERVIEW

We are a leading independent property management company in China based on the total contracted GFA as of December 31, 2013, according to China Index Academy. In 2013, we were ranked third in terms of overall strength among independent property management companies, and 9th in 2014 in the “China Top 100 Property Management Companies” (“中國物業服務百強企業”) compiled by China Real Estate Top 10 Research and China Index Academy. In addition, our recently developed O2O platform is also a strategic focus of ours and we expect it to become a key driver of our future growth. We generate revenue from two main business lines:

- *property management business line*, under which we primarily provide property developers and property owners with a broad range of property management services to mostly residential properties. Services we provide in this business line include property management services, ancillary services and consulting services; and
- *sales assistance business line*, under which we provide property developers with sales assistance services by deploying on-site staff at the sales center to maintain the conditions of relevant properties and provide timely assistance with various aspects of the sales process.

We experienced significant growth in terms of revenue and net profit during the Track Record Period. Our revenue increased from RMB197.4 million in 2012 to RMB290.3 million in 2013, and further to RMB361.2 million in 2014, representing a CAGR of 35.3% from 2012 to 2014. Our total net profit also increased from RMB12.8 million in 2012 to RMB33.1 million in 2013, and further to RMB55.9 million in 2014, representing a CAGR of 109.0% from 2012 to 2014.

## FINANCIAL INFORMATION

The following table sets forth the breakdown of our revenue generated from the two business lines during the Track Record Period.

|                                   | For the year ended December 31, |            |                               |            |                               |            |
|-----------------------------------|---------------------------------|------------|-------------------------------|------------|-------------------------------|------------|
|                                   | 2012                            |            | 2013                          |            | 2014                          |            |
|                                   | <i>(RMB<br/>in thousands)</i>   | <i>(%)</i> | <i>(RMB<br/>in thousands)</i> | <i>(%)</i> | <i>(RMB<br/>in thousands)</i> | <i>(%)</i> |
| Property management business line | 162,710                         | 82.4       | 238,556                       | 82.2       | 292,860                       | 81.1       |
| Sales assistance business line    | 34,739                          | 17.6       | 51,720                        | 17.8       | 68,342                        | 18.9       |
| <b>Total</b>                      | 197,449                         | 100.0      | 290,276                       | 100.0      | 361,202                       | 100.0      |

While we did not generate any revenue or incur any expenses from our O2O platform during the Track Record Period, we will continue to develop the platform and plan to generate revenue from the platform in the future. In developing the platform, we would incur relevant expenses, which would impact our results of operations.

### BASIS OF PREPARATION

Pursuant to the Reorganization, which was completed by incorporating Zhong Ao Home Group Limited, Zhong Ao Holdings and Zhong Ao Property as the holding companies of Guangzhou Zhong Ao and its subsidiaries, the Company became the ultimate holding company of the companies now comprising the Company and its subsidiaries on April 15, 2015. The Group created from the Reorganization is regarded as a continuing entity. All the entities comprising the Group were under the control of Mr. Liu Jian, a Director and a founding member of the Company, prior to and after the Reorganization.

The combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Group for the Track Record Period, which include the results, changes in equity and cash flows of the Group, have been prepared as if the current group structure as of April 15, 2015 had been in existence throughout the Track Record Period, or since their respective dates of incorporation/establishment, whichever is a shorter period, except for the subsidiaries acquired or disposed of by the Group during the Track Record Period as disclosed in Note 33 and 34 in the Accountants’ Report in Appendix I to this document respectively. These subsidiaries are included in the financial information regarding the Group (the “Financial Information”) since the date of acquisition or up to the date of disposal by the Group.

The combined statement of financial position of the Group as of December 31, 2012, 2013 and 2014 has been prepared to present the assets and liabilities of the Group which had been in existence as of the respective reporting dates.

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## FINANCIAL INFORMATION

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### SIGNIFICANT 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 headed “Risk Factors” in this document and those set out below.

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

Our ability to manage the significant increases in our labor costs may affect our profit margin and our profitability. The amount of labor costs was mainly affected by (i) the number of employees that we employed directly or the number of dispatch workers that we hired through the employment agent; and (ii) the average salary of our employees or charge requested by employment agent for each dispatch worker. Labor costs (including staff costs of our employees and dispatch costs of dispatch workers) comprise a large portion of our cost of sales and services and a significant portion of our administrative expenses as we rely on human resources to provide services and manage our operations. We generated revenue primarily through providing property management services on a lump sum basis, where we generally receive a fixed amount of fees for providing relevant 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 2012, 2013 and 2014, the labor costs of our employees and dispatch workers amounted to RMB108.9 million, RMB139.5 million and RMB153.5 million, respectively, or 55.1%, 48.0% and 42.5% of the revenue, respectively. Due to the labor-intensive nature of our services, we believe our sub-contracting costs consist of a significant portion of labor costs as well and would be affected by the rise in the wages. In 2012, 2013 and 2014, our sub-contracting costs were RMB34.8 million, RMB48.8 million and RMB58.0 million, respectively, accounting for 17.6%, 16.8% and 16.1% of the total revenue, respectively. Since January 2015 we have relied on a single sub-contractor, an Independent Third Party, to provide us with 3,500 staff to render services to our properties based on an agreement valid until the end of 2016. We expect the costs in relation to this sub-contractor will account for a significant portion of our cost of sales and services. For details, please see the section headed “Our Business — Our Suppliers”. The labor and sub-contracting costs as a percentage of the total revenue continued to decrease during the Track Record Period, which reflects our ability to mitigate the impact of rising labor costs through more efficient management and utilization of our employees, and better training to our employees.

In 2012, 2013 and 2014, our gross profit margin was 19.0%, 26.8% and 33.4%, respectively, reflecting our ability to mitigate the impact of rising labor cost. To enhance our ability to mitigate the impact of rising labor costs, we focused on, and intend to keep improving, the implementation of standardization, centralization and automation measures. For more information, please see the section headed “Risk Factors — Risks relating to Our Business and Industry — We may be subject to losses or our margins may be reduced if we fail to increase our revenue or control our costs in connection with performance of our property management services on a lump sum basis.”

#### **Our Property Management GFA**

During the Track Record Period, we generated revenue primarily from providing 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.



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Total contracted GFA consist of revenue-bearing GFA, undelivered GFA and common area GFA. Revenue-bearing GFA, which represents the contracted GFA in relation to which the collection of property management fees has started, accounted for the majority of our property management business line revenue. Undelivered GFA is the portion of our total contracted GFA that does not generate management services fees because the relevant property is not ready to be delivered and has not sent the relevant delivery notice to the first group of property owners. Common area GFA also generates revenue through ancillary services, but the amount of ancillary services revenue generated is not directly based on the size of the common area GFA. Common area GFA includes parking spaces, but parking fees received from residents are accounted for in the property management services revenue, while parking fees received from third-party users such as visitors are accounted for under ancillary services. In addition, our common area GFA includes both delivered GFA and undelivered GFA, namely GFA that is still in the pipeline. Our financial position and results of operations are primarily affected by the size of revenue-bearing GFA. The table below sets forth details of our contracted GFA and its breakdown as of the dates indicated.

|  | <b>As of December 31,</b>    |               |               |
|--|------------------------------|---------------|---------------|
|  | <b>2012</b>                  | <b>2013</b>   | <b>2014</b>   |
|  | <i>(sq. m. in thousands)</i> |               |               |
| Revenue-bearing GFA                        | 7,719                        | 9,939         | 12,601        |
| <i>Residential revenue-bearing GFA</i>     | 7,683                        | 9,787         | 12,463        |
| <i>Non-residential revenue-bearing GFA</i> | 36                           | 152           | 138           |
| Undelivered GFA                            | 13,615                       | 10,528        | 10,998        |
| Common area GFA <sup>(1)</sup>             | 4,312                        | 8,704         | 7,790         |
| <b>Total contracted GFA</b>                | <b>25,646</b>                | <b>29,171</b> | <b>31,389</b> |

*Note:*

(1) Common area GFA includes both GFA that has been delivered and GFA that is still in the pipeline.

### Average Size of Sales Assistance Projects

During the Track Record Period, we generated revenue from sales assistance business line. Our business and results of operations for this business line are affected by our ability to maintain and increase the size of our projects as measured by average revenue. Typically on larger projects we are able to charge a higher fee from projects with a greater headcount deployed for the projects. The table below sets forth details of the number of contracted projects to which services were provided and the average revenue of projects for the years indicated.

|   | <b>For the year ended December 31,</b> |             |             |
|---|--|-------------|-------------|
|   | <b>2012</b>                            | <b>2013</b> | <b>2014</b> |
| Total projects <sup>(1)</sup>                                 | 82                                     | 80          | 85          |
| Average revenue per project (RMB in thousands) <sup>(2)</sup> | 423.6                                  | 646.5       | 804.0       |

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*Notes:*

- (1) The number of project shown is the number of projects we provide services to for the relevant year; as such, certain projects that extend across more than one year are counted in each of the years when services are provided.
- (2) The average revenue of projects is calculated by dividing the sales assistance business line revenue by the number of projects in the same year.

### Pricing of Our Property Management Services

Our revenue is affected by the prices of our property management services as the property management business line accounts for 82.4%, 82.2% and 81.1% of our total revenue in 2012, 2013 and 2014, respectively. The increase in unit price was primarily driven by the higher prices of the new contracts, which reflected the enhancement in our market reputation and our pricing power, whereas older contracts are locked into lower prices for three to five years generally. The increase in unit prices was also partly driven by our greater penetration into the mid to high-end segment of the market. We offer butler services to all our managed properties in order to solidify our marketing positioning in the mid to high-end segment of the market. However, since property management prices are tightly regulated and supervised by relevant PRC authorities, relevant regulations currently in effect or in the future may affect or limit our prices, which would in turn affect our financial position and results of operations. For more information, please see the section headed “Regulations — Fees Charged by Property Management Enterprises.”

The table below sets forth the average prices of our contracts in effect as of the dates indicated.

|   | As of December 31,        |      |      |
|---|---------------------------|------|------|
|   | 2012                      | 2013 | 2014 |
|   | <i>(RMB/sq. m./month)</i> |      |      |
| Property management average price per residential revenue-bearing GFA <sup>(1)</sup>              | 1.70                      | 1.79 | 1.77 |
| Property management average price per contracted GFA (residential properties only) <sup>(2)</sup> | 1.88                      | 1.98 | 2.01 |

*Notes:*

- (1) The average contracted price is calculated as a weighted average of all the prices and fees specified on the contracts that are generating revenue as of the end of each relevant year. The prices exclude management fees for parking lots.
- (2) The average contracted price is calculated as a weighted average of all the prices and fees specified on the contracts in effect as of the end of each relevant year. The prices exclude management fees for parking lots.

### Business Mix

Our business and results of operations are affected by our business mix. Our gross profit margins vary between our different business lines. In 2012, 2013 and 2014, the gross profit margin for property management business line was 16.0%, 22.6% and 30.7%, respectively; and the gross profit margin for

## FINANCIAL INFORMATION

sales assistance business line was 33.0%, 46.6% and 45.0%, respectively. For more information, please see the subsection headed “— Description of Selected Statements of Profit or Loss Line Items — Gross Profit.”

In managing our property management business lines, we primarily generate revenue through providing various property management services on a lump sum basis. During the Track Record Period, the revenue contributions by business lines are set forth in the table below.

|  | For the year ended December 31, |       |                               |       |                               |       |
|--|---------------------------------|-------|-------------------------------|-------|-------------------------------|-------|
|  | 2012                            |       | 2013                          |       | 2014                          |       |
|  | <i>(RMB<br/>in thousands)</i>   | (%)   | <i>(RMB<br/>in thousands)</i> | (%)   | <i>(RMB<br/>in thousands)</i> | (%)   |
| Property management business line  | 162,710                         | 82.4  | 238,556                       | 82.2  | 292,860                       | 81.1  |
| <i>Property management services<br/>under lump sum basis<sup>(1)</sup></i> | 148,869                         | 75.4  | 223,082                       | 76.8  | 268,421                       | 74.3  |
| <i>Property management services<br/>under commission basis</i>             | —                               | —     | 481                           | 0.2   | 362                           | 0.1   |
| <i>Ancillary services</i>  | 12,463                          | 6.3   | 14,405                        | 5.0   | 23,410                        | 6.5   |
| <i>Consulting services</i>   | 1,378                           | 0.7   | 588                           | 0.2   | 667                           | 0.2   |
| Sales assistance business line   | 34,739                          | 17.6  | 51,720                        | 17.8  | 68,342                        | 18.9  |
| <b>Total</b>   | 197,449                         | 100.0 | 290,276                       | 100.0 | 361,202                       | 100.0 |

*Note:*

- (1) Includes parking lot management fees from residents of RMB8.0 million, RMB12.3 million and RMB20.6 million in 2012, 2013 and 2014, respectively. For more information, please see the subsection headed “— Significant Factors Affecting Our Results of Operations — Our Property Management GFA.”

Under property management business line, we are entitled to retain (i) the full amount of received property management fees under a lump sum basis and (ii) the income generated from ancillary services. However, in both cases, expenses associated with staff, cleaning, gardening and landscaping and security, among others, are borne by us. As a result, the gross profit margin of our property management business line tended to be lower than that of our sales assistance business line, where we set our contract prices based on our net margin target and assessment of expenses. For more information, please see the sections headed “Our Business — Property Management Business Line” and “Our Business — Sales Assistance Services Business Line.”

In the future, we expect to continue generating a substantial portion of our revenue through providing property management services primarily under a lump sum basis, and we may have an insignificant portion of revenue from property management services under a commission basis. Moreover, the development of our O2O platform may also have an impact on our business mix and profit margin for the property management business line. In addition, we may also be engaged to provide sales assistance services upon request and when we deem appropriate. Any change in the product mix under each business line resulted and may result in a corresponding impact on our overall profit margin.

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### **Our Ability to Respond to Regulatory and Market Conditions of the Property Development Industry**

Our business and results of operations are affected by our ability to obtain new service engagements from property developers for their new property developments, by the timeliness of property developers’ delivery and by the vacancy rate in existing properties. The number of new property developments is 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. Specifically since most of the properties we manage are located in second-tier or third-tier cities in the PRC, the rate of urbanization in these cities is particularly important to the development of our business. 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 see the section headed “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 tightened their policies by implementing a series of measures with a view to control the growth of the economy. In particular, the PRC government introduced various restrictive measures to discourage speculation in the real estate market. However, since 2014, the PRC government reversed its position and policies in order to stimulate the housing 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. The uncertainty in the PRC government policies can have significant effects on the supply of new properties. For more information, please see the section headed “Risk Factors — Risks relating to Conducting Business in the PRC.”

### **Our Ability to Recover Receivables on a Timely Basis**

In the course of our business, we incur a significant amount of receivables. In particular, our trade receivables amounted to RMB31.5 million, RMB53.3 million and RMB57.9 million as of December 31, 2012, 2013 and 2014, respectively. We recognized impairment losses on trade receivables of RMB5.9 million, RMB6.5 million and RMB13.9 million in 2012, 2013 and 2014, respectively. Our trade receivables turnover days were 50, 53 and 56 in 2012, 2013 and 2014, respectively. Our impairment losses increased primarily due to the increase in the scale of our business and our trade receivables. We have adopted various measures to recover our receivables, such as financial incentives for prepayment or early payment, legal recourses and visits to the debtors. The effectiveness of these measures will continue to affect our profitability, liquidity, financial position and growth.

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### **Our Ability to Acquire and Integrate Existing Suitable Property Management Companies**

In 2012, 2013 and 2014, our total contracted GFA obtained through acquisitions was approximately 0.3 million sq. m., 0.06 million sq. m. and nil, respectively. An increase in our revenue-bearing GFA leads to increased revenue from property management services. Since we plan to use [REDACTED] of the proceeds from the [REDACTED] to make acquisitions, 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 the availability of qualified acquisition targets in the market, our financing capability and sufficiency of cash flow. Our results of operations are also affected by our ability to integrate new property management businesses into our existing business and to achieve economies of scale.

### **Our Ability to Enhance Our Service Quality and Broaden our Service Offerings**

Our business and results of operations depend on customer satisfaction and loyalty, which in turn rely on enhancing our service quality and expanding the range of our service offerings. Standardization and centralization initiatives help us improve our service quality to our clients since standardization results in a greater level of consistency of service quality, providing assurance of quality across our properties, and more effective monitoring of the services, especially given our wide footprint with managed properties spanning across the PRC. Furthermore, we are developing our O2O platform in order to facilitate the communication and service provision by our Butlers to residents and expand the range of services offered by our butlers. For more information on O2O, please see the section headed "Our Business — Our O2O Platform." The inability to maintain and enhance our service quality and broaden our service offerings could adversely affect our collection of receivables, revenue, the success of contract renewals and our ability to win new projects, which individually or in aggregate could affect our results of operations and financial position.

## **SIGNIFICANT ACCOUNTING POLICIES**

### **Revenue Recognition**

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

#### *Property management services under lump sum basis and property management services under commission basis*

We charged property management fees in respect of the property management services on a lump sum basis and on a commission basis. Revenue is recognized when services are provided.

On a lump sum basis, we are entitled to retain the full amount of received property management fees. From the property management fees, we shall bear expenses associated with, among others, staff, cleaning, garbage disposal, gardening and landscaping, security and general overheads covering the common areas. During the term of the contract, if the amount of property management fees we collected is not sufficient to cover all the expenses incurred, we are not entitled to request the property owners to pay the shortfall.

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## FINANCIAL INFORMATION

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Accordingly, on a lump sum basis, we recognize as revenue the full amount of property management fees we charged to the property owners when services are provided, and recognize the expenses as costs of services we incurred in connection with performing our services.

On a commission basis, we are entitled to only a pre-determined percentage of the property management fees the property owners are obligated to pay. The remainder of the management fee is used as property management working capital to cover the property management expenses associated with the 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 the statement of financial position. 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 first, with a right to recovering from the residents subsequently.

On a commission basis, we essentially act as an agent of the property owners and accordingly, we only recognize as our revenue the pre-determined percentage of property management fees when services are provided.

### *Ancillary services income, consulting services income and sale assistance services income*

Related services income are recognized when related services are rendered.

### *Interest income*

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to us 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.

### **Property, Plant and Equipment**

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes are stated in the combined 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 less their residual values over their estimated useful lives, using the straight-line method over the following period.

|                                   |                        |
|-----------------------------------|------------------------|
| Leasehold land and buildings      | Over the term of lease |
| Leasehold improvement             | 3–5 years              |
| Furniture, fixtures and equipment | 3–5 years              |
| Motor vehicles                    | 5–10 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.

## FINANCIAL INFORMATION

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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.

### **Goodwill**

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the combined statement 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 frequently 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 combined statement 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 combined statement 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. 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 differences 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 differences 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.

## FINANCIAL INFORMATION

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Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interest in joint arrangement 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, and 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.

### **Intangible Assets Acquired in a Business Combination**

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Our acquired intangible assets consisted of property management contracts that our acquired subsidiaries were parties to, and the contracts 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. An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.



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## FINANCIAL INFORMATION

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### **Financial Instruments**

Financial assets and financial liabilities are recognized in the combined statement 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 fair value through profit or loss (“FVTPL”)) are added to the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL loss are recognized immediately in profit or loss.

#### ***Financial assets***

Our financial assets are generally classified as loans and receivables and financial assets at 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;
- 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 our 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 combined 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 the interest income 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 receivables, amounts due from directors, amount due from a related party 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).

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## FINANCIAL INFORMATION

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### *Effective interest method for financial assets*

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 form 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.

### *Impairment of financial assets*

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;
- 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, 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 our 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 and other receivables, 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 a trade and other receivable is 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 amortized cost would have been had the impairment not been recognized.

## FINANCIAL INFORMATION

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### *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 instruments*

An equity instrument is any contract that evidences a residual interest in our assets after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

### *Financial liabilities*

Financial liabilities, including trade and other payables, borrowings and amount due to related parties are measured at amortized cost, using the effective interest method.

### *Effective interest method for financial liabilities*

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 (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) 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*

We derecognize a financial asset only when the contractual rights to the cash flows from the assets expire and when it substantially transfers 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 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.

## **FINANCIAL INFORMATION**

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### **CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES**

In the application of our accounting policies, our management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key assumptions concerning the future, and other key sources 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 and liabilities within the next financial year.

#### **Estimated Impairment of Trade Receivables**

When there is an objective evidence of impairment loss, we take into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As of December 31, 2012, 2013 and 2014, the carrying amounts of our trade receivables were RMB31.5 million, RMB53.3 million and RMB57.9 million, respectively, and net of allowance was RMB8.7 million, RMB15.3 million and RMB29.1 million, respectively.

#### **Useful Lives of Property, Plant and Equipment**

We estimate useful lives and related depreciation charges for its items of property, plant and equipment. These estimates are 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. These estimates may change in the future that many increase depreciation charge where useful lives are less than previously estimates. The carrying amounts of property, plant and equipment at December 31, 2012, 2013 and 2014 were RMB11.9 million, RMB16.0 million and RMB21.1 million, respectively.

## FINANCIAL INFORMATION

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

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

|  | <u>For the year ended December 31,</u> |                      |                      |
|--|--|----------------------|----------------------|
|  | <u>2012</u>                            | <u>2013</u>          | <u>2014</u>          |
|  | <i>(RMB in thousands)</i>              |                      |                      |
| Revenue  | 197,449                                | 290,276              | 361,202              |
| Cost of sales and services   | <u>(159,877)</u>                       | <u>(212,352)</u>     | <u>(240,491)</u>     |
| Gross profit   | 37,572                                 | 77,924               | 120,711              |
| Other income   | 4,494                                  | 1,481                | 3,155                |
| Other gains and losses   | (6,172)                                | (9,381)              | (16,328)             |
| Administrative expenses  | (14,344)                               | (19,852)             | (21,472)             |
| [REDACTED]   | —                                      | —                    | [REDACTED]           |
| Selling and distribution expenses  | (2,438)                                | (3,413)              | (3,765)              |
| Share of results of associates   | —                                      | (424)                | (670)                |
| Share of results of joint ventures   | —                                      | —                    | (98)                 |
| Finance costs  | <u>—</u>                               | <u>—</u>             | <u>(5)</u>           |
| Profit before tax  | 19,112                                 | 46,335               | 77,548               |
| Income tax expense   | <u>(6,316)</u>                         | <u>(13,265)</u>      | <u>(21,650)</u>      |
| Profit and total comprehensive income<br>for the year attributable to owners<br>of the Company     | 12,796                                 | 33,070               | 56,031               |
| Profit and total comprehensive income<br>for the year attributable to<br>non-controlling interests | <u>—</u>                               | <u>—</u>             | <u>(133)</u>         |
| Profit and total comprehensive income for the year   | <u><u>12,796</u></u>                   | <u><u>33,070</u></u> | <u><u>55,898</u></u> |

#### Revenue

During the Track Record Period, we derived our revenue from providing services set forth below that we conduct under our two business lines respectively:

- *property management business line.* Under this business line, we generate revenue through providing property management services, ancillary services and consulting services; and
- *sales assistance business line.* Under this business line, we generate revenue through providing cleaning, security and maintenance of the model homes and sales centers to property developers, and provision of general assistance to facilitate the sales process of the properties.

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The following table sets forth a breakdown of our revenue for the periods indicated.

|                                   | <b>For the year ended December 31,</b> |              |                               |              |                               |              |
|-----------------------------------|--|--------------|-------------------------------|--------------|-------------------------------|--------------|
|                                   | <b>2012</b>                            |              | <b>2013</b>                   |              | <b>2014</b>                   |              |
|                                   | <i>(RMB in<br/>thousands)</i>          | <i>(%)</i>   | <i>(RMB in<br/>thousands)</i> | <i>(%)</i>   | <i>(RMB in<br/>thousands)</i> | <i>(%)</i>   |
| Property management business line | 162,710                                | 82.4         | 238,556                       | 82.2         | 292,860                       | 81.1         |
| Sales assistance business line    | 34,739                                 | 17.6         | 51,720                        | 17.8         | 68,342                        | 18.9         |
| <b>Total</b>                      | <b>197,449</b>                         | <b>100.0</b> | <b>290,276</b>                | <b>100.0</b> | <b>361,202</b>                | <b>100.0</b> |

### Cost of Sales and Services

Our cost of sales and services primarily comprises (i) dispatch workers’ costs; (ii) sub-contracting costs, representing the expenses paid to sub-contractors for various services under property management business line; (iii) staff costs; (iv) depreciation expenses associated with equipment and property used in providing services; and (v) others, primarily representing raw material costs, travelling expenses and communication expenses. We expect to increase our sub-contracting costs and lower our dispatch costs in 2015 as our dispatch contract was terminated at the end of 2014 and adopted a sub-contracting arrangement in order to comply with PRC regulatory requirements. For details of the arrangements, please see the section headed “Our Business — Our Suppliers” in this document.

The table below sets forth the breakdown of our cost of sales and services for the periods indicated.

|                       | <b>For the year ended December 31,</b> |              |                               |              |                               |              |
|-----------------------|--|--------------|-------------------------------|--------------|-------------------------------|--------------|
|                       | <b>2012</b>                            |              | <b>2013</b>                   |              | <b>2014</b>                   |              |
|                       | <i>(RMB in<br/>thousands)</i>          | <i>(%)</i>   | <i>(RMB in<br/>thousands)</i> | <i>(%)</i>   | <i>(RMB in<br/>thousands)</i> | <i>(%)</i>   |
| Dispatch costs        | 62,466                                 | 39.1         | 99,078                        | 46.7         | 114,690                       | 47.7         |
| Sub-contracting costs | 34,753                                 | 21.7         | 48,799                        | 23.0         | 57,982                        | 24.1         |
| Staff costs           | 46,409                                 | 29.0         | 40,457                        | 19.0         | 38,829                        | 16.1         |
| Depreciation          | 1,317                                  | 0.8          | 2,747                         | 1.3          | 3,150                         | 1.3          |
| Others                | 14,932                                 | 9.4          | 21,271                        | 10.0         | 25,840                        | 10.8         |
| <b>Total</b>          | <b>159,877</b>                         | <b>100.0</b> | <b>212,352</b>                | <b>100.0</b> | <b>240,491</b>                | <b>100.0</b> |

During the Track Record Period, the main factors affecting our total cost of sales and services were labor costs (staff costs and dispatch costs) and sub-contracting costs. The amount of sub-contracting costs was primarily affected by the number of properties under management and the sub-contracting prices, which were in turn influenced by the market wage level.

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The following table sets forth a breakdown of our cost of sales and services by business line for the periods indicated:

|                                   | <b>For the year ended December 31,</b> |              |                               |              |                               |              |
|-----------------------------------|--|--------------|-------------------------------|--------------|-------------------------------|--------------|
|                                   | <b>2012</b>                            |              | <b>2013</b>                   |              | <b>2014</b>                   |              |
|                                   | <i>(RMB in<br/>thousands)</i>          | <i>(%)</i>   | <i>(RMB in<br/>thousands)</i> | <i>(%)</i>   | <i>(RMB in<br/>thousands)</i> | <i>(%)</i>   |
| Property management business line | 136,598                                | 85.4         | 184,708                       | 87.0         | 202,882                       | 84.4         |
| Sales assistance business line    | 23,279                                 | 14.6         | 27,644                        | 13.0         | 37,609                        | 15.6         |
| <b>Total</b>                      | <b>159,877</b>                         | <b>100.0</b> | <b>212,352</b>                | <b>100.0</b> | <b>240,491</b>                | <b>100.0</b> |

The cost of sales and services was RMB159.9 million, RMB212.4 million and RMB240.5 million in 2012, 2013 and 2014, respectively. The cost of sales and services for the property management business line includes dispatch costs, sub-contracting costs, staff costs, depreciation and others. The cost of sales and services for sales assistance business line consists of primarily staff costs, sub-contracting costs, and dispatch costs.

When we prepare the break down of cost of sales and services by business lines, we identify costs under the categories of dispatch costs, sub-contracting costs and staff costs to a specific business line based on the number of employees we assigned to different properties that are covered by (i) agreements in relation to property management services, or (ii) agreements in relation to sales assistance services, according to the terms and conditions under relevant agreements. In addition, we allocate all the costs under the categories of Depreciation and Others to property management business line because, according to the agreements under sales assistance business line, we are only liable to labour-related costs for providing relevant services and will not incur any other costs associated with such services, including depreciation and utility costs. For details on relevant agreements under each business line, please see sections headed “Our Business — Property Management Business Line” and “Our Business — Sales Assistance Business Line.” We will adjust the method to allocate our costs based on terms of agreements or other circumstances we may enter into in the future.

### Gross Profit

Our gross profit in 2012, 2013 and 2014 amounted to RMB37.6 million, RMB77.9 million and RMB120.7 million, respectively, and during the same periods we recorded a gross profit margin of 19.0%, 26.8% and 33.4%, respectively. The table below sets forth our gross profit margins by business line for the periods indicated:

|                                   | <b>For the year ended December 31,</b> |             |                               |             |                               |             |
|-----------------------------------|--|-------------|-------------------------------|-------------|-------------------------------|-------------|
|                                   | <b>2012</b>                            |             | <b>2013</b>                   |             | <b>2014</b>                   |             |
|                                   | <i>(RMB in<br/>thousands)</i>          | <i>(%)</i>  | <i>(RMB in<br/>thousands)</i> | <i>(%)</i>  | <i>(RMB in<br/>thousands)</i> | <i>(%)</i>  |
| Property management business line | 26,112                                 | 16.0        | 53,848                        | 22.6        | 89,978                        | 30.7        |
| Sales assistance business line    | 11,460                                 | 33.0        | 24,076                        | 46.6        | 30,733                        | 45.0        |
| <b>Total</b>                      | <b>37,572</b>                          | <b>19.0</b> | <b>77,924</b>                 | <b>26.8</b> | <b>120,711</b>                | <b>33.4</b> |

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### Other Income

The following table sets forth details of our other income during the Track Record Period.

|   | <u>For the year ended December 31,</u> |                     |                     |
|---|--|---------------------|---------------------|
|   | <u>2012</u>                            | <u>2013</u>         | <u>2014</u>         |
|   | <i>(RMB in thousands)</i>              |                     |                     |
| Bank interest income  | 73                                     | 65                  | 116                 |
| Unconditional government grants                                 | 1,984                                  | 192                 | 1,795               |
| Penalty income  | 1,330                                  | 668                 | 158                 |
| Investment income on financial assets designated<br>as at FVTPL | <u>1,107</u>                           | <u>556</u>          | <u>1,086</u>        |
| <b>Total</b>  | <u><u>4,494</u></u>                    | <u><u>1,481</u></u> | <u><u>3,155</u></u> |

Our other income includes (i) bank interest income, representing the interest we earned on our bank deposits; (ii) unconditional government grants, which were awarded to us when we successfully obtained certain qualifications or awards; (iii) penalty income mainly representing income we received as compensation for termination of relevant property management agreements due to the counterparties’ breach of contracts; and (iv) investment income on financial assets designated as at FVTPL. For more information on investment income on financial assets designated as at FVTPL, please see the subsection headed “— Description of Certain Items in Statements of Financial Position — Financial Assets Designated as at Fair Value through Profit or Loss.”

### Other Gains and Losses

The following table sets forth details of our other gains and losses during the Track Record Period.

|   | <u>For the year ended December 31,</u> |                       |                        |
|---|--|-----------------------|------------------------|
|   | <u>2012</u>                            | <u>2013</u>           | <u>2014</u>            |
|   | <i>(RMB in thousands)</i>              |                       |                        |
| Impairment loss recognized on trade receivables         | (5,909)                                | (6,533)               | (13,852)               |
| Impairment loss recognized on other receivables         | (405)                                  | (1,449)               | (2,607)                |
| Loss on disposal of property, plant and equipment       | (92)                                   | (229)                 | (40)                   |
| Loss on partial disposal of interest in a joint venture | —                                      | —                     | (31)                   |
| (Loss) gain on disposal of subsidiaries                 | (2)                                    | —                     | 1,166                  |
| Others  | <u>236</u>                             | <u>(1,170)</u>        | <u>(964)</u>           |
| <b>Total</b>  | <u><u>(6,172)</u></u>                  | <u><u>(9,381)</u></u> | <u><u>(16,328)</u></u> |

Our “other losses” includes impairment loss recognized on trade receivables and on other receivables. For more information, please see the subsection headed “— Description of Certain Items in Statements of Financial Position — Trade and Other Receivables.” Our “other losses” also includes (i) loss on partial disposal of interest in a joint venture related to the disposal of 5% equity interest in



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Guangzhou Daojia; (ii) loss on disposal of a subsidiary primarily attributable to the disposal of our entire interest in Zhong Ao Construction and 90% equity interest in Zhong Ao Hotel; and (iii) other items, including loss on acquisition of additional interest in a joint venture and penalty expenses, mainly representing expenses paid to property developers to compensate their loss as a result of our early termination of relevant property management agreements for various reasons, such as our assessment of the low likelihood of property delivery.

### Administrative Expenses

Administrative expenses consist of salaries of the administrative staff, depreciation and amortization, travel and meal expenses, bank transactional charges, audit and other professional fees, office expenses, training expenses and others. The table below sets forth a breakdown of our administrative expenses for the periods indicated.

|                                      | For the year ended December 31, |              |                           |              |                           |              |
|--------------------------------------|---------------------------------|--------------|---------------------------|--------------|---------------------------|--------------|
|                                      | 2012                            |              | 2013                      |              | 2014                      |              |
|                                      | <i>(RMB in thousands)</i>       | (%)          | <i>(RMB in thousands)</i> | (%)          | <i>(RMB in thousands)</i> | (%)          |
| Salaries of the administrative staff | 7,981                           | 55.6         | 12,041                    | 60.7         | 12,357                    | 57.5         |
| Depreciation and amortization        | 759                             | 5.3          | 961                       | 4.8          | 1,987                     | 9.3          |
| Travel and meal expenses             | 1,844                           | 12.9         | 2,099                     | 10.6         | 1,985                     | 9.2          |
| Bank transactional charges           | 535                             | 3.7          | 890                       | 4.5          | 1,517                     | 7.1          |
| Audit and other professional fees    | 814                             | 5.7          | 779                       | 3.9          | 1,213                     | 5.6          |
| Office expenses                      | 1,434                           | 10.0         | 1,378                     | 6.9          | 1,108                     | 5.2          |
| Training expenses                    | 155                             | 1.1          | 734                       | 3.7          | 411                       | 1.9          |
| Others                               | 822                             | 5.7          | 970                       | 4.9          | 894                       | 4.2          |
| <b>Total</b>                         | <b>14,344</b>                   | <b>100.0</b> | <b>19,852</b>             | <b>100.0</b> | <b>21,472</b>             | <b>100.0</b> |

Our salaries of the administrative staff are salaries and bonuses paid to the administrative staff.

Travel and meal expenses are incurred by our employees in the course of and in relation to the performance of their corporate functions. Office expenses represent the rental and miscellaneous expenses for maintaining our office space, while depreciation and amortization are the depreciation expenses associated with furniture and office equipment used in the headquarters and amortization of intangible assets.

Bank transactional charges represent the fees we paid to various financial intermediaries in connection with providing the residents or property developers of the properties we manage and our customers with alternative payment channels, such as bank transfers and credit card, for their management and services fees and utility bills. Bank transactional charges increased steadily throughout the Track Record Period primarily due to increased usage of these payment channels by our residents.

Audit and professional fees primarily represent the legal fees to enforce collection of fees, audit expenses for statutory audits and consulting expenses.

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[REDACTED]

[REDACTED] mainly represent payment made to relevant professional parties in relation to the [REDACTED]. In 2012, 2013 and 2014, our [REDACTED] amounted to [REDACTED], [REDACTED] and [REDACTED]. We commenced preparation for the [REDACTED] in 2014, and the expenses incurred in 2014 primarily relate to the audit fees and other professional parties’ fees.

### Selling and Distribution Expenses

The table below sets forth a breakdown of our selling and distribution expenses for the periods indicated.

|   | For the year ended December 31, |              |                           |              |                           |              |
|---|---------------------------------|--------------|---------------------------|--------------|---------------------------|--------------|
|   | 2012                            |              | 2013                      |              | 2014                      |              |
|   | <i>(RMB in thousands)</i>       | <i>(%)</i>   | <i>(RMB in thousands)</i> | <i>(%)</i>   | <i>(RMB in thousands)</i> | <i>(%)</i>   |
| Salaries of the sales staff                 | 1,287                           | 52.8         | 1,322                     | 38.7         | 1,360                     | 36.1         |
| Business development and marketing expenses | 785                             | 32.2         | 1,456                     | 42.7         | 1,602                     | 42.5         |
| Travel and meal expenses                    | 208                             | 8.5          | 318                       | 9.3          | 327                       | 8.7          |
| Others                                      | 158                             | 6.5          | 317                       | 9.3          | 476                       | 12.7         |
| <b>Total</b>                                | <b>2,438</b>                    | <b>100.0</b> | <b>3,413</b>              | <b>100.0</b> | <b>3,765</b>              | <b>100.0</b> |

Salaries of the sales staff represent the wages, salaries and bonuses for our sales staff. Business development and marketing expenses primarily relate to the expenses incurred to maintain existing business or obtain new business. Travel and meal expenses were those incurred in the course of performing the sales and marketing function.

### Share of Results of Associates

During the Track Record Period, our associates include Enshi Jikang International Cultural Tourism and Health Industry Development Company Limited (恩施吉康國際文化旅遊養生產業基地開發有限公司) in which we held a 34% equity interest; Enshi Jikang Lianzhu Tower Scenic Spot Development Company Limited (恩施吉康連珠塔風景區開發有限公司) in which we held a 34% equity interest; and Guangzhou Aoye Sport Company Limited (廣州奧業體育有限公司) in which we held 40% of equity interest through a wholly-owned subsidiary, Zhong Ao Construction, starting in May 2014.

We held equity interest in Enshi Jikang International and Enshi Jikang Lianzhu from June 2013 until September 2014, when these associates discontinued their operations and deregistered. In addition, we disposed of our entire interest in Zhong Ao Construction in December 2014, pursuant to which Guangzhou Aoye Sport was no longer recognized as our associate. Our share of results of associates consists of our shares of loss of Enshi Jikang International, Enshi Jikang Lianzhu and Guangzhou Aoye Sport Company Limited. For more information, please see the section headed “History, Reorganization and Corporate Structure — Reorganization.”

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### Share of Results of Joint Ventures

Our investment in 60% equity interest in Ningbo Disai Hotel Property Service Company Limited in 2014 and our investment in 60% equity interest in Guangzhou Daojia via Guangdong Zhong Ao in 2014, which subsequently increased to 75% in the same year generated post-acquisition losses of RMB0.1 million in 2014. In November 2014, revised Articles of Association of Guangzhou Daojia were adopted and Guangdong Zhong Ao came to control the majority of the board seats. Given the facts and circumstances, our management has concluded that we have the power of control over Guangzhou Daojia and as a result, Guangzhou Daojia has since been classified as a subsidiary.

### Finance costs

Finance costs primarily represents interest expense for the bank borrowing in the amount of RMB12.0 million incurred in 2014.

### 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 Enterprise Income Tax (“EIT”) at the tax rate of 25% on the income of our subsidiaries incorporated in the PRC.

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

|   | <b>For the year ended December 31,</b> |             |             |
|---|--|-------------|-------------|
|   | <b>2012</b>                            | <b>2013</b> | <b>2014</b> |
|   | <i>(RMB in thousands)</i>              |             |             |
| Profit before tax   | 19,112                                 | 46,335      | 77,548      |
| Tax at the PRC EIT rate of 25%  | 4,778                                  | 11,584      | 19,387      |
| Tax effect of share of results of associates                          | —                                      | 106         | 168         |
| Tax effect of share of results of joint ventures                      | —                                      | —           | 25          |
| Tax effect of expenses not deductible for tax purposes <sup>(1)</sup> | 1,437                                  | 1,532       | 1,464       |
| Tax effect of deductible temporary differences not recognized         | 101                                    | 362         | 652         |
| Tax effect of tax losses not recognized                               | —                                      | —           | 137         |
| Utilization of tax losses previously not recognized                   | —                                      | (319)       | (183)       |
| Income tax expense  | 6,316                                  | 13,265      | 21,650      |

*Note:*

- (1) In 2012, 2013 and 2014, expenses not deductible mainly included welfare and entertainment expenses exceeding the tax deduction limits mainly under the EIT Law and [REDACTED] expenses.

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Our effective tax rate in 2012, 2013, and 2014 was 33.0%, 28.6% and 27.9%, respectively.

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.

### RESULTS OF OPERATIONS

#### Year Ended December 31, 2014 Compared with Year Ended December 31, 2013

##### *Revenue*

Our revenue for the year ended December 31, 2014 was RMB361.2 million, as compared to RMB290.3 million for the year ended December 31, 2013, representing an increase of RMB70.9 million, or 24.4%. The increase in our revenue was due to increases reflected in both of our business lines.

- *Property management business line.* Revenue from the property management services for the year ended December 31, 2014 was RMB292.9 million, as compared to RMB238.6 million for the year ended December 31, 2013, representing an increase of RMB54.3 million, or 22.8%. The increase in our revenue from property management business line was due primarily to (i) an increase in the total revenue-bearing GFA as a result of our business expansion; and (ii) an increase in ancillary services primarily driven by an increase in the area and the number of properties managed.
- *Sales assistance business line.* Revenue from the sales assistance business line for the year ended December 31, 2014 was RMB68.3 million, as compared to RMB51.7 million for the year ended December 31, 2013, representing an increase of RMB16.6 million, or 32.1%. The increase in our revenue from sales assistance business line was due to (i) an increase in the number of projects and on-site staff deployed, where we provided sales assistance services on 85 projects in 2014 compared to 80 in 2013; and (ii) the increase of average revenue of projects from RMB0.6 million in 2013 to RMB0.8 million in 2014.

##### *Cost of sales and services*

Cost of sales and services for the year ended December 31, 2014 was RMB240.5 million, as compared to RMB212.4 million for the year ended December 31, 2013, representing an increase of RMB28.1 million, or 13.2%. The increase in our cost of sales and services was due primarily to the growth of our business and the corresponding increase in the labor costs. This increase in labor costs was attributable to (i) an increase in the number of employees that we employed directly or the number of dispatch workers that we hired through dispatch agencies; and (ii) an increase in the average salary of our employees or the average fees charged by dispatch agencies for each dispatch worker. However, the cost of sales and services as a percentage of the revenue decreased. See gross profit margin discussion below.

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## FINANCIAL INFORMATION

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### *Gross profit and gross profit margin*

Our gross profit for the year ended December 31, 2014 was RMB120.7 million, as compared to RMB77.9 million for the year ended December 31, 2013, representing an increase of RMB42.8 million, or 54.9%. Our gross profit margin increased from 26.8% in 2013 to 33.4% in 2014. The increase in our gross profit margin was due primarily to (i) an increase in our property management business line gross profit margin by 8.1 percentage point from 22.6% to 30.7%; and (ii) a change in the business mix, where a greater percentage of revenue comes from the sales assistance business line with a higher gross profit margin.

- *Property management business line.* Our gross profit for the property management business line for the year ended December 31, 2014 was RMB90.0 million, as compared to RMB53.8 million for the year ended December 31, 2013, representing an increase of RMB36.2 million, or 67.3%. Our gross profit margin also increased from 22.6% in 2013 to 30.7% in 2014. The increase in our gross profit margin was due primarily to (i) increased economies of scale as multiple phases of the same properties were delivered and became revenue-bearing while the staff costs and dispatch costs for the property remained fairly stable; (ii) more efficient utilization of staff through standardization and centralization efforts; and (iii) our selection of and engagement with newer projects with higher margins.
- *Sales assistance business line.* Our gross profit for the sales assistance business line for the year ended December 31, 2014 was RMB30.7 million, as compared to RMB24.1 million for the year ended December 31, 2013, representing an increase of RMB6.6 million, or 27.4%. Our gross profit margin decreased slightly from 46.6% in 2013 to 45.0% in 2014. The slight decrease in our gross profit margin was primarily due to a slight increase in staff costs and dispatch costs.

### *Other income*

Our other income for the year ended December 31, 2014 was RMB3.2 million, as compared to RMB1.5 million for the year ended December 31, 2013, representing an increase of RMB1.7 million, or 113.0%. The increase in our other income was primarily attributable to the increase in unconditional government grants and investment income on financial assets designated as at FVTPL, driven by our increased investment amount in 2014.

### *Other Gains and Losses*

Our other gains and losses for the year ended December 31, 2014 was a loss of RMB16.3 million as compared to a loss of RMB9.4 million, representing an increase of RMB6.9 million, or 73.4%. The increase in our losses was primarily due to the increase in impairment loss recognized on trade receivables from RMB6.5 million in 2013 to RMB13.9 million in 2014, driven by the increase in the scale of our business. Impairment loss recognized on trade receivables as a percentage of revenue remained relatively small, accounting for 2.7% and 4.6% in 2013 and 2014, respectively. The increase in losses was partially offset by the increase in gain on disposal of subsidiaries.

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### *Administrative expenses*

Our administrative expenses for the year ended December 31, 2014 was RMB21.5 million, as compared to RMB19.9 million for the year ended December 31, 2013, representing an increase of RMB1.6 million, or 8.0%. The increase in our administrative expenses was primarily due to (i) an increase in the salary of the administrative staff from RMB12.0 million to RMB12.4 million; (ii) an increase in depreciation from RMB1.0 million to RMB2.0 million; (iii) an increase in bank transactional charges from RMB0.9 million to RMB1.5 million; and (iv) an increase in audit and other professional fee from RMB0.8 million to RMB1.2 million. The increase in the salary of our administrative staff mainly reflected the increase in the number of staff required to manage more properties and more branches, and the increase in depreciation and amortization was primarily due to an increase in branches and office furniture. The increase was partially offset by a decrease in travel and meal expenses, office expenses and training expenses. However, administrative expenses as a percentage of revenue decreased from 6.8% in 2013 to 5.9% in 2014 due to, we believe, greater management efficiency and economies of scale.

### *[REDACTED]*

Our [REDACTED] for the year ended December 31, 2014 amounted to [REDACTED], which primarily consisted of the service fees we paid to auditors and other professional parties in connection with our preparation for the [REDACTED].

### *Selling and distribution expenses*

Our selling and distribution expenses for the year ended December 31, 2014 were RMB3.8 million, as compared to RMB3.4 million for the year ended December 31, 2013 representing, an increase of RMB0.4 million, or 11.8%. The increase in our selling and distribution expense was primarily due to an increase in our business development and marketing expenses and other expenses as a result of our marketing effort to expand our business in new cities.

### *Share of results of associates*

Our share of loss of associates increased from RMB0.4 million for the year ended December 31, 2013 to RMB0.7 million for the year ended December 31, 2014. Our associates, Enshi Tourism and Enshi Development, have deregistered in September 2014 and we stopped recognizing them as associates. We also disposed of our entire equity interest in Guangzhou Sport in December 2014.

### *Share of results of joint ventures*

Our share of results of joint ventures for the year ended December 31, 2014 was RMB0.1 million as compared to nil for the year ended December 31, 2013.

### *Finance costs*

Finance costs was RMB5,000 for the year ended December 31, 2014 as compared to nil for the year ended December 31, 2013, and this increase was primarily due to interests incurred on the bank borrowing in December 2014.

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### *Income tax expense*

Our income tax expense for the year ended December 31, 2014 was RMB21.7 million, as compared to RMB13.3 million for the year ended December 31, 2013, representing an increase of RMB8.4 million, or 63.2%, primarily due to (i) an increase in revenue; and (ii) ineligibility of impairment loss on other receivables for tax deduction. Our effective tax rate remained relatively stable at 28.6% in 2013 and 27.9% in 2014.

### *Profit and total comprehensive income for the year attributable to owners of the Company*

As a result of the foregoing, our profit and total comprehensive income for the year attributable to owners of the Company for the year ended December 31, 2014 was RMB56.0 million, as compared to RMB33.1 million for the year ended December 31, 2013, representing an increase of RMB22.9 million, or 69.2%.

### **Year Ended December 31, 2013 Compared with Year Ended December 31, 2012**

#### *Revenue*

Our revenue for the year ended December 31, 2013 was RMB290.3 million, as compared to RMB197.4 million for the year ended December 31, 2012, representing an increase of RMB92.9 million, or 47.1%. The increase in our revenue reflected revenue increases in both of our business lines.

- *Property management business line.* Revenue from the property management business line for the year ended December 31, 2013 was RMB238.6 million, as compared to RMB162.7 million for the year ended December 31, 2012, representing an increase of RMB75.9 million, or 46.7%. The increase in our revenue from property management business line was due primarily to (i) the increase in our residential revenue-bearing GFA largely as a result of winning new contracts; and (ii) average price per residential revenue-bearing GFA reflecting the higher property management fee that we charged to the new properties under our management.
- *Sales assistance business line.* Revenue from the sales assistance business line for the year ended December 31, 2013 was RMB51.7 million, as compared to RMB34.7 million for the year ended December 31, 2012, representing an increase of RMB17.0 million, or 50.0%, primarily due to an increase in the average size of the project from RMB0.4 million in 2012 to RMB0.6 million in 2013.

#### *Cost of sales and services*

Cost of sales and services for the year ended December 31, 2013 was RMB212.4 million, as compared to RMB159.9 million for the year ended December 31, 2012, representing an increase of RMB52.5 million, or 32.8%, which was below the growth rate of our revenue in 2013 from 2012. The increase in our cost of sales and services was primarily due to the increase in the labor costs, which included dispatch costs and staff costs, from RMB108.9 million for the year ended December 31, 2012 to RMB139.5 million for the year ended December 31, 2013. This increase in labor costs was attributable to (i) expansion in our business; and (ii) an increase in the salaries of our employees and the fees for the dispatch workers that dispatch agencies charged us.

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### *Gross profit and gross profit margin*

Our gross profit for the year ended December 31, 2013 was RMB77.9 million, as compared to RMB37.6 million for the year ended December 31, 2012, representing an increase of RMB40.3 million, or 107.2%. Our gross profit margin increased from 19.0% in 2012 to 26.8% in 2013. The increase in our gross profit margin was due primarily to (i) an increase in our property management business line profit margin by 6.6 percentage point from 16.0% to 22.6%; and (ii) an increase in our sales assistance business line profit margin by 13.6 percentage point from 33.0% to 46.6%.

- *Property management business line.* Our gross profit for the property management business line for the year ended December 31, 2013 was RMB53.8 million, as compared to RMB26.1 million for the year ended December 31, 2012, representing an increase of RMB27.7 million, or 106.1%. Our gross profit margin increased from 16.0% in 2012 to 22.6% in 2013. The increase in our gross profit margin was due primarily to (i) increased average price per residential revenue-bearing GFA; (ii) increased economies of scale as multiple phases of the same properties are delivered and become revenue-bearing while the staff costs for the property remain fairly constant; and (iii) more efficient utilization of staff through standardization and centralization efforts.
- *Sales assistance business line.* Our gross profit for the sales assistance business line for the year ended December 31, 2013 was RMB24.1 million, as compared to RMB11.5 million for the year ended December 31, 2012, representing an increase of RMB12.6 million, or 109.6%. Our gross profit margin increased from 33.0% in 2012 to 46.6% in 2013. The increase in our gross profit margin was primarily due to a general increase in the average revenue size of our projects, where larger projects enjoyed the economies of scale and therefore had higher profit margins.

### *Other income*

Our other income for the year ended December 31, 2013 was RMB1.5 million, as compared to RMB4.5 million for the year ended December 31, 2012, representing a decrease of RMB3.0 million, or 66.7%. The decrease in our other income was primarily due to the decrease in unconditional government grants and in penalty income.

### *Other gains and losses*

Our other gains and losses for the year ended December 31, 2013 was a loss of RMB9.4 million, as compared to a loss of RMB6.2 million for the year ended December 31, 2012, representing an increase of RMB3.2 million, or 51.6%. The increase in our other losses was primarily due to the increase in loss recognized on trade receivables, the impairment loss recognized on other receivables and penalty expense. The impairment loss recognized on other receivables increased from RMB0.4 million for the year ended December 31, 2012 to RMB1.4 million for the year ended December 31, 2013 primarily as a result of the failure to receive refund for the deposits we previously paid for participating in certain tender-offer processes, which was due to the insolvency of the developer to whom we paid the deposits.



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### *Administrative expenses*

Our administrative expenses for the year ended December 31, 2013 was RMB19.9 million, as compared to RMB14.3 million for the year ended December 31, 2012, an increase of RMB5.6 million, or 39.2%. The increase in our administrative expenses was primarily attributed to (i) an increase in salary of the administrative staff from RMB8.0 million for the year ended December 31, 2012 to RMB12.0 million for the year ended December 31, 2013, primarily due to an increase in the scale of our business with an addition of five branches to provide management services to more properties; (ii) an increase in the training expenses from RMB0.2 million for the year ended December 31, 2012 to RMB0.7 million for the year ended December 31, 2013, primarily due to an increase in the number of employees and the increase in the scale of our business; and (iii) an increase in bank transactional charges from RMB0.5 million for the year ended December 31, 2012 to RMB0.9 million in for the year ended December 31, 2013. Administrative expenses as a percentage of revenue decreased from 7.3% in 2012 to 6.8% in 2013 due to greater economies of scale.

### *[REDACTED]*

Our [REDACTED] was [REDACTED] for the years ended December 31, 2013 and 2012.

### *Selling and distribution expenses*

Our selling and distribution expenses for the year ended December 31, 2013 were RMB3.4 million, as compared to RMB2.4 million for the year ended December 31, 2012, representing an increase of RMB1.0 million, or 41.7%. The increase in our selling and distribution expenses was primarily due to the increase in the business development and marketing expenses, driven by the expansion of our business.

### *Share of result of associates*

Our share of result of associates for the year ended December 31, 2013 was RMB0.4 million for the 34% equity interest in Enshi Tourism and the 34% equity interest in Enshi Development, compared to nil for the year ended December 31, 2012.

### *Share of results of joint ventures*

Our share of results of joint ventures was nil for the years ended December 31, 2013 and 2012.

### *Finance costs*

Our finance costs was nil for the years ended December 31, 2013 and 2012.

### *Income tax expense*

Our income tax expense for the year ended December 31, 2013 was RMB13.3 million, as compared to RMB6.3 million for the year ended December 31, 2012, representing an increase of RMB7.0 million, or 111.0%, primarily due to an increase in our profit before tax. Our effective tax rate has decreased from 33.0% in 2012 to 28.6% in 2013, primarily due to a decrease in the tax effect of expenses not deductible for tax purposes as a percentage of the profit before tax.

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### *Profit and total comprehensive income for the year attributable to owners of the Company*

As a result of the foregoing, our profit and total comprehensive income for the year attributable to owners of the Company for the year ended December 31, 2013 was RMB33.1 million, as compared to RMB12.8 million for the year ended December 31, 2012, representing an increase of RMB20.3 million, or 158.6%.

### CURRENT ASSETS AND CURRENT LIABILITIES

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

|   | <u>As of December 31,</u> |                |                | <u>As of</u>     |
|---|---------------------------|----------------|----------------|------------------|
|   | <u>2012</u>               | <u>2013</u>    | <u>2014</u>    | <u>April 30,</u> |
|   | <i>(RMB in thousands)</i> |                |                | <u>2015</u>      |
|   |                           |                |                | (unaudited)      |
| <b>Current assets</b>   |                           |                |                |                  |
| Trade and other receivables   | 44,685                    | 67,601         | 79,197         | 98,012           |
| Amounts due from directors  | 25,085                    | 54,326         | 59,838         | 42,047           |
| Amount due from a related party                                     | 550                       | 1,115          | 1,000          | 1,000            |
| Financial assets designated as at fair value through profit or loss | 23,080                    | —              | —              | —                |
| Bank balances and cash  | <u>6,185</u>              | <u>44,746</u>  | <u>65,618</u>  | <u>241,158</u>   |
|   | <u>99,585</u>             | <u>167,788</u> | <u>205,653</u> | <u>382,217</u>   |
| <b>Current liabilities</b>  |                           |                |                |                  |
| Trade and other payables  | 91,745                    | 129,278        | 149,193        | 157,354          |
| Amounts due to related parties                                      | 1,398                     | 1,513          | 72             | 19               |
| Borrowing due within one year                                       | —                         | —              | 2,361          | 2,361            |
| Tax liabilities   | <u>1,868</u>              | <u>13,836</u>  | <u>22,140</u>  | <u>25,337</u>    |
|   | <u>95,011</u>             | <u>144,627</u> | <u>173,766</u> | <u>185,071</u>   |
| <b>Net current assets</b>   | <u>4,574</u>              | <u>23,161</u>  | <u>31,887</u>  | <u>197,146</u>   |

We had net current assets of RMB4.6 million, RMB23.2 million and RMB31.9 million as of December 31, 2012, 2013 and 2014, respectively. As of April 30, 2015, we had net current assets of RMB197.1 million. The key components of our current assets as of April 30, 2015 included trade and other receivables of RMB98.0 million, amounts due from directors of RMB42.0 million and bank balances and cash of RMB241.2 million. As of the same date, the key components of our current liabilities included trade and other payables of RMB157.4 million and tax liabilities of RMB25.3 million.

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### DESCRIPTION OF CERTAIN ITEMS IN STATEMENTS OF FINANCIAL POSITION

#### Combined Statements of Financial Position

|   | <b>As of December 31,</b> |             |             |
|---|---------------------------|-------------|-------------|
|   | <b>2012</b>               | <b>2013</b> | <b>2014</b> |
|   | <i>(RMB in thousands)</i> |             |             |
| <b>Non-current assets</b>   |                           |             |             |
| Property, plant and equipment                                       | 11,863                    | 15,993      | 21,121      |
| Deposits paid for acquisition of properties                         | —                         | —           | 44,000      |
| Interests in associates   | —                         | 9,776       | —           |
| Interest in joint ventures  | —                         | —           | 802         |
| Goodwill  | 41                        | 41          | 41          |
| Intangible assets   | 257                       | 201         | 145         |
| Deferred tax asset  | 2,186                     | 3,819       | 7,282       |
|   | 14,347                    | 29,830      | 73,391      |
| <b>Current assets</b>   |                           |             |             |
| Trade and other receivables   | 44,685                    | 67,601      | 79,197      |
| Amounts due from directors  | 25,085                    | 54,326      | 59,838      |
| Amount due from a related party                                     | 550                       | 1,115       | 1,000       |
| Financial assets classified as at fair value through profit or loss | 23,080                    | —           | —           |
| Bank balances and cash  | 6,185                     | 44,746      | 65,618      |
|   | 99,585                    | 167,788     | 205,653     |
| <b>Current liabilities</b>  |                           |             |             |
| Trade and other payables  | 91,745                    | 129,278     | 149,193     |
| Amounts due to related parties                                      | 1,398                     | 1,513       | 72          |
| Tax liabilities   | 1,868                     | 13,836      | 22,140      |
| Borrowing due within one year                                       | —                         | —           | 2,361       |
|   | 95,011                    | 144,627     | 173,766     |
| <b>Net current assets</b>   | 4,574                     | 23,161      | 31,887      |
| <b>Total assets less current liabilities</b>                        | 18,921                    | 52,991      | 105,278     |

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|                               | <b>As of December 31,</b> |               |               |
|-------------------------------|---------------------------|---------------|---------------|
|                               | <b>2012</b>               | <b>2013</b>   | <b>2014</b>   |
|                               | <i>(RMB in thousands)</i> |               |               |
| <b>Non-current liability</b>  |                           |               |               |
| Borrowing due after one year  | —                         | —             | 9,639         |
|                               | —                         | —             | 9,639         |
| <b>Net assets</b>             | <b>18,921</b>             | <b>52,991</b> | <b>95,639</b> |
| <b>Capital and reserves</b>   |                           |               |               |
| Paid-in capital               | 10,000                    | 10,000        | 10,000        |
| Reserves                      | 8,921                     | 41,991        | 85,522        |
| <b>Equity attributable to</b> |                           |               |               |
| Owners                        | 18,921                    | 51,991        | 95,522        |
| Non-controlling interests     | —                         | 1,000         | 117           |
| <b>Total equity</b>           | <b>18,921</b>             | <b>52,991</b> | <b>95,639</b> |

### Trade and Other Receivables

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

|                                    | <b>As of December 31,</b> |               |               |
|------------------------------------|---------------------------|---------------|---------------|
|                                    | <b>2012</b>               | <b>2013</b>   | <b>2014</b>   |
|                                    | <i>(RMB in thousands)</i> |               |               |
| Trade receivables                  | 40,222                    | 68,613        | 87,060        |
| Less: allowance for doubtful debts | (8,742)                   | (15,275)      | (29,127)      |
| Total trade receivables            | 31,480                    | 53,338        | 57,933        |
| Other receivables                  | 17,457                    | 19,964        | 29,572        |
| Less: allowance for doubtful debts | (4,252)                   | (5,701)       | (8,308)       |
| Total other receivables            | 13,205                    | 14,263        | 21,264        |
| Total trade and other receivables  | <b>44,685</b>             | <b>67,601</b> | <b>79,197</b> |

## FINANCIAL INFORMATION

### *Trade receivables*

Our trade receivables mainly arose from management and service income from our property management business line and sales assistance business line. The table below sets forth a breakdown of our trade and other receivables by business line as of the dates indicated.

|                                   | <b>As of December 31,</b> |               |               |
|-----------------------------------|---------------------------|---------------|---------------|
|                                   | <b>2012</b>               | <b>2013</b>   | <b>2014</b>   |
|                                   | <i>(RMB in thousands)</i> |               |               |
| Property management business line | 32,178                    | 59,239        | 75,463        |
| Sales assistance business line    | 8,044                     | 9,374         | 11,597        |
| <b>Total</b>                      | <b>40,222</b>             | <b>68,613</b> | <b>87,060</b> |

As of December 31, 2012, 2013 and 2014, our trade receivables accounted for 31.6%, 31.8% and 28.2% of our total current assets, respectively.

Our trade receivables from property management business line increased by 83.9% to RMB59.2 million as of December 31, 2013 from RMB32.2 million as of December 31, 2012, primarily due to the expansion of the scale of our business and increase of our property management business line revenue by 46.6% and the promotion in 2012, where we provided a discount on the management fees to the residents if they paid their management fees for 2012. Our trade receivables from property management business line increased by 27.5% to RMB75.5 million as of December 31, 2014 from RMB59.2 million as of December 31, 2013, primarily due to the increase in our revenue by 22.8%. Property management fees under our property management business line are required to be settled by community residents in 10 to 30 days upon the issuance of demand note. The settlement pattern of the property management business line income is normally within 30 to 90 days after the issuance of demand note to the residents.

Our trade receivables from the sales assistance business line increased from RMB8.0 million as of December 31, 2012 to RMB9.4 million as of December 31, 2013 and further to RMB11.6 million as of December 31, 2014, primarily due to the expansion in our business.

Included in our trade receivable balance are debtors with an aggregate carrying amount of RMB12.2 million, RMB34.2 million and RMB38.1 million as of December 31, 2012, 2013 and 2014, respectively, which are past due as of the end of the reporting period for which we have not provided for impairment loss. We do not hold any collateral over these balances.

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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 period, which approximated the respective revenue recognition date.

|                 | <b>As of December 31,</b> |               |               |
|-----------------|---------------------------|---------------|---------------|
|                 | <b>2012</b>               | <b>2013</b>   | <b>2014</b>   |
|                 | <i>(RMB in thousands)</i> |               |               |
| 0 to 30 days    | 15,655                    | 14,658        | 12,883        |
| 31 to 90 days   | 9,051                     | 11,249        | 13,629        |
| 91 to 180 days  | 4,982                     | 12,610        | 12,009        |
| 181 to 365 days | 1,792                     | 12,233        | 15,524        |
| Over one year   | —                         | 2,588         | 3,888         |
| <b>Total</b>    | <b>31,480</b>             | <b>53,338</b> | <b>57,933</b> |

In determining the recoverability of a trade receivable, we consider any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date and no impairment is necessary for those balances which are not past due. For example, trade receivables related to properties that are not delivered and have no possibility of being completed are deemed as non-recoverable.

Specifically, in determining the recoverability of trade receivables from the property management business line, we estimate the recoverable amount of property management fee in each community managed by us. Given that the residents are living in these communities managed by us and the residents have maintained a good collection record and subsequent settlement, in the opinion of our Directors, the trade receivables from the property management business line are of good credit quality and no impairment allowance is necessary in respect of the remaining unsettled balances. We employ various measures to collect our trade receivables and property management fees. For more information, please see section headed “Our Business — Property Management Business Line — Key Contracts under Property Management Business — Terms specific to contracts with property developers.”

As of April 30, 2015, we subsequently settled RMB25.3 million, or 43.7%, of our outstanding trade receivables, net of provision, as of December 31, 2014.

The following table sets forth our trade receivables turnover days for the periods indicated.

|  | <b>For the year ended December 31,</b> |             |             |
|--|--|-------------|-------------|
|  | <b>2012</b>                            | <b>2013</b> | <b>2014</b> |
| Trade receivables turnover days <sup>(1)</sup> | 50                                     | 53          | 56          |

*Notes:*

- (1) Calculated as the average trade receivables of the relevant period divided by revenue in that relevant period, then multiplied by the number of days in the relevant period.

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The increase in our trade receivables turnover days during the Track Record Period was mainly caused by an increase in the percentage of revenue from property owners compared to that from property developers, where property developers typically pay their fees faster than property owners.

### *Other receivables*

Our other receivables and prepayment mainly represent (i) deposits paid to utilities suppliers for properties under our management; (ii) advances to staff, representing ad-hoc expenses advanced to on-site staff for emergency uses; (iii) prepayments to suppliers for greening and cleaning materials used by sub-contractors; (iv) payments on behalf of residents for the utilities bills by utilities suppliers and paid on behalf of the residents; (v) consideration receivables related to the consideration amount from the sale of a subsidiary; and (vi) other prepayments, which includes bank’s acceptance bills.

The following table sets forth the other receivables as of the dates indicated.

|  | <b>As of December 31,</b> |               |               |
|--|---------------------------|---------------|---------------|
|  | <b>2012</b>               | <b>2013</b>   | <b>2014</b>   |
|  | <i>(RMB in thousands)</i> |               |               |
| Other receivables                                    |                           |               |               |
| Deposits   | 1,771                     | 2,514         | 2,841         |
| Advances to staffs                                   | 3,080                     | 3,689         | 4,908         |
| Prepayments  | 4,702                     | 4,032         | 7,235         |
| Payments on behalf of residents                      | 6,039                     | 8,375         | 10,323        |
| Consideration receivable on disposal of a subsidiary | —                         | —             | 3,031         |
| Other tax recoverable                                | 352                       | 710           | 12            |
| Others   | 1,513                     | 644           | 1,222         |
|  | 17,457                    | 19,964        | 29,572        |
| Less: allowance for doubtful debts                   | (4,252)                   | (5,701)       | (8,308)       |
| <b>Total other receivables</b>                       | <b>13,205</b>             | <b>14,263</b> | <b>21,264</b> |

Our other receivables increased by RMB1.1 million, or 8.3%, from RMB13.2 million as of December 31, 2012 to RMB14.3 million as of December 31, 2013, and further increased by RMB7.0 million, or 49.0%, to RMB21.3 million as of December 31, 2014, primarily due to an increase in the number of properties we manage and the consideration we paid for the sale of a subsidiary.

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### *Allowance for doubtful debts*

The following table sets forth the allowance for doubtful debts for trade and other receivables as of the dates indicated.

|  | <u>For the year ended December 31,</u> |                      |                      |
|--|--|----------------------|----------------------|
|  | <u>2012</u>                            | <u>2013</u>          | <u>2014</u>          |
|  | <i>(RMB in thousands)</i>              |                      |                      |
| Balance at beginning of the reporting period | 6,680                                  | 12,994               | 20,976               |
| Impairment losses recognized on receivables  | <u>6,314</u>                           | <u>7,982</u>         | <u>16,459</u>        |
| Balance at end of the reporting period       | <u><u>12,994</u></u>                   | <u><u>20,976</u></u> | <u><u>37,435</u></u> |

Included in the allowance for doubtful debts are individually impaired trade and other receivables with an aggregate balance of RMB13.0 million, RMB21.0 million and RMB37.4 million. Our historical experience with these receivables indicates that the collection of these receivables may not be recoverable. We do not hold any collateral over these balances.

### **Amounts Due from Directors**

As of December 31, 2012, 2013 and 2014, amounts due from Directors amounted to RMB25.1 million, RMB54.3 million and RMB59.8 million, respectively. Our management confirms the balances will be settled before the [REDACTED] of the shares of the Company on the Stock Exchange.

### **Amount Due from a Related Party**

The amount due from a related party, Guangzhou Xunhua, amounted to RMB0.6 million, RMB1.1 million and RMB1.0 million as of December 31, 2012, 2013 and 2014, respectively. Amount due from a related party was of non-trade nature and primarily arose from loans to a related party.

### **Financial Assets Designated as at Fair Value through Profit or Loss**

During the Track Record Period, we did not record any loss in connection with these investments. The underlying assets of these products included financial products offered by banks with expected return.

As of December 31, 2012, 2013 and 2014, our financial assets classified as fair value through profit or loss was RMB23.1 million, nil, and nil, respectively. The amount of RMB23.1 million as of December 31, 2012 arose from our undertaking of several contracts of structured deposits with banks as part of our cash management and investment policy to obtain higher yields than we can receive on regular bank deposits. The return and principal were not guaranteed by the relevant banks. The entire combined contracts have been designated as financial assets designated as at FVTPL on initial recognition. The expected return rate stated in the contracts ranges from 2% to 10% per annum for the years ended December 31, 2012, 2013 and 2014. As of April 30, 2015, there were no outstanding financial assets.



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In 2012, 2013, and 2014, the actual returns of these structured deposits, or the investment income on financial assets designated as at FVTPL, were RMB1.1 million, RMB0.6 million and RMB1.1 million, respectively.

In the opinion of our Directors, the fair value of the structured deposits on December 31, 2012 approximated their principal amounts. All of the structured deposits held by us as of December 31, 2012 have been subsequently settled at their principal amounts together with returns which approximated the expected return during the year ended December 31, 2013.

We engaged third-party valuation experts to be responsible for determining the appropriate valuation techniques and inputs for fair value measurements. The experts estimate the fair value of our financial asset measured at amortized cost using the discounted cash flows analysis. The experts advised that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Financial Information approximate their fair value.

### Bank Balances and Cash

Our bank balances and cash amounted to RMB6.2 million, RMB44.7 million and RMB65.6 million as of December 31, 2012, 2013 and 2014, respectively. Our bank balances mainly represented the property management fees collected and deposited in relevant banks. It carried interest at prevailing interest rates which ranged from 0.4% to 2.3% per annum, 0.5% to 1.5% per annum and 0.5% to 1.5% per annum for the years ended December 31, 2012, 2013 and 2014, respectively. Our bank balance and cash steadily increased during the Track Record Period due to an increase in the amount of management fees collected and the amount of receipts in advance and receipts on behalf of residents. Specifically, the increase in bank balances and cash from RMB6.2 million as of December 31, 2012 to RMB44.7 million as of December 31, 2013 was primarily due to the expansion of our business and short-term investments held by us as of December 31, 2012 compared to no such investment held as of December 31, 2013.

### Trade and Other Payables

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

|                | <b>As of December 31,</b> |                |                |
|----------------|---------------------------|----------------|----------------|
|                | <b>2012</b>               | <b>2013</b>    | <b>2014</b>    |
|                | <i>(RMB in thousands)</i> |                |                |
| Trade payables | 15,683                    | 23,766         | 23,168         |
| Other payables | 76,062                    | 105,512        | 126,025        |
| <b>Total</b>   | <b>91,745</b>             | <b>129,278</b> | <b>149,193</b> |

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### *Trade Payables*

Our trade payables mainly represent payables to sub-contracting suppliers and to dispatch agencies for dispatch fees. During the Track Record Period, the increase in our trade payables was mainly caused by an increase in the size of our business operations. The credit period granted by suppliers to us ranged from 30 to 90 days. The following table sets forth our trade payable turnover days for the periods indicated.

|   | <b>For the year ended December 31,</b> |             |             |
|---|--|-------------|-------------|
|   | <b>2012</b>                            | <b>2013</b> | <b>2014</b> |
| Trade payables turnover days <sup>(1)</sup> | 29                                     | 34          | 36          |

*Notes:*

- (1) Calculated as the average trade payables of the relevant period divided by cost of sales and services in that relevant period, then multiplied by the number of days in the relevant period.

Our trade payables turnover days increased during the Track Record Period primarily because as our relationships with our suppliers and sub-contractors continued to solidify with greater purchase volume, they were increasingly willing to accept longer credit terms.

The following table sets forth an aging analysis of trade payables presented based on the invoice date as of the dates indicated.

|              | <b>As of December 31,</b> |               |               |
|--------------|---------------------------|---------------|---------------|
|              | <b>2012</b>               | <b>2013</b>   | <b>2014</b>   |
|              | <i>(RMB in thousands)</i> |               |               |
| 0–60 days    | 14,786                    | 22,170        | 18,703        |
| 61–180 days  | 581                       | 1,227         | 3,152         |
| 181–365 days | 104                       | 138           | 804           |
| Over 1 years | 212                       | 231           | 509           |
|              | <b>15,683</b>             | <b>23,766</b> | <b>23,168</b> |

As of April 30, 2015, we subsequently settled RMB7.6 million, or 32.8%, of our outstanding trade payables as of December 31, 2014.

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### *Other Payables*

Our other payables mainly represent (i) receipts on behalf of residents, (ii) receipts in advances, (iii) deposits received, (iv) accrued staff costs, (v) other tax payables, and (vi) others.

The following table sets forth the other payables as of the dates indicated.

|                                 | <b>As of December 31,</b> |                |                |
|---------------------------------|---------------------------|----------------|----------------|
|                                 | <b>2012</b>               | <b>2013</b>    | <b>2014</b>    |
|                                 | <i>(RMB in thousands)</i> |                |                |
| Other payables                  |                           |                |                |
| Receipts on behalf of residents | 19,298                    | 32,412         | 37,064         |
| Receipts in advances            | 27,614                    | 27,826         | 32,123         |
| Deposits received               | 13,392                    | 23,423         | 23,773         |
| Accrued staff costs             | 10,390                    | 16,171         | 22,837         |
| Other tax payables              | 4,127                     | 4,656          | 6,942          |
| Others                          | 1,241                     | 1,024          | 3,286          |
| <b>Total</b>                    | <b>76,062</b>             | <b>105,512</b> | <b>126,025</b> |

Our “receipts on behalf of residents” represents the amount we collected from residents to settle their utilities bills. Receipts on behalf of residents increased from RMB19.3 million in 2012 to RMB32.4 million in 2013 and further to RMB37.1 million in 2014, primarily due to an increase in the GFA that we managed as a result of our business expansion.

Our “receipts in advance” represents the prepayment by residents to settle the management service fees yet to become due. Receipts in advance increased from RMB27.6 million as of December 31, 2012 to RMB27.8 million as of December 31, 2013 and further to RMB32.1 million as of December 31, 2014, mainly due to the expansion of our property management business line. The small increase in the advance from customers between December 31, 2012 and 2013 was due to the promotion we ran in 2012 to encourage property owners to pay their management fees for the year of 2012.

Our “deposits received” mainly includes the deposits we collected from residents associated with the residents’ their home renovation to insure against any potential damage caused by their construction projects. Our deposits received increased by RMB10.0 million from RMB13.4 million as of December 31, 2012 to RMB23.4 million as of December 31, 2013, primarily due to an increase in the number of residents moving into the properties we manage.

Our “accrued staff costs” represents the salary payable to our employees as we generally settle staff costs, such as social insurance, salary for the month of December and bonuses, after the calendar new year. For example, we make distribution for bonus accrued for the year after the Chinese New Year of the next year. The steady increase in accrued staff costs during the Track Record Period was mainly caused by the increase in the number of our employees as a result of our business expansion.

“Other tax payables” primarily includes business tax payables to the relevant authorities. Our “others” mainly includes accrued administrative expenses and selling and distribution expenses.

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### Amounts Due to Related Parties

The amounts due to related parties consisted of amounts of non-trade nature due to Guangdong Yabo (廣東雅博物業服務有限公司) relating to loans, and amounts of trade nature due to Guangzhou Xunhua (廣州迅華電氣技術有限公司) for services primarily relating to installation of light fixtures and gates.

The table below sets forth a breakdown of our amounts due to related parties as of the dates indicated.

|                                 | <b>As of December 31,</b> |             |             |
|---------------------------------|---------------------------|-------------|-------------|
|                                 | <b>2012</b>               | <b>2013</b> | <b>2014</b> |
|                                 | <i>(RMB in thousands)</i> |             |             |
| <b>Non-trade nature</b>         |                           |             |             |
| Guangdong Yabo <sup>(1)</sup>   | 1,313                     | 1,275       | —           |
| <b>Trade nature</b>             |                           |             |             |
| Guangzhou Xunhua <sup>(2)</sup> | 85                        | 238         | 72          |
|                                 | 1,398                     | 1,513       | 72          |

*Notes:*

- (1) The amount due to Guangdong Yabo is unsecured, interest-free and repayable on demand.
- (2) The amount due to Guangzhou Xunhua is of trade nature with a credit term of 90 days granted from the issuance of invoices.

Guangdong Yabo was controlled by Mr. LIU Jian and therefore classified as a related party. On November 13, 2014, Mr. LIU Jian disposed his entire equity interest in Guangdong Yabo to an independent third party and since then Guangdong Yabo is not a related party. We expect the above balances to be settled upon the [REDACTED].

### Tax Liabilities

Our tax liabilities increased from RMB1.9 million as of December 31, 2012 to RMB13.8 million as of December 31, 2013 and further to RMB22.1 million as of December 31, 2014 mainly due to an increase in profit from business expansion.

### Property, Plant and Equipment

Our property, plant and equipment primarily consists of leasehold land and buildings, furniture, fixtures and equipment, and motor vehicles. The carrying value has been increasing steadily from RMB11.9 million as of December 31, 2012 to RMB16.0 million as of December 31, 2013, and further to RMB21.1 million as of December 31, 2014, primarily due to the increase in furniture, fixtures and equipment driven by the increase in the scale of our business.

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### Goodwill

Our goodwill of RMB41,000 arose from acquisition of Hangzhou Lvdu in 2012. It remained at RMB41,000 as of December 31, 2012, 2013 and 2014.

### Intangible assets

Our intangible assets arose from the property management contracts of Hangzhou Lvdu. We amortized the costs for intangible assets, which decreased from RMB257,000 as of December 31, 2012 to RMB201,000 as of December 31, 2013, and further to RMB145,000 as of December 31, 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 by cash flows and bank loans.

### Cash Flows

The following table sets forth our combined statement of cash flows for the Track Record Period.

|   | <b>For the year ended December 31,</b> |               |               |
|---|--|---------------|---------------|
|   | <b>2012</b>                            | <b>2013</b>   | <b>2014</b>   |
|   | <i>(RMB in thousands)</i>              |               |               |
| Net cash from operating activities                          | 16,147                                 | 60,272        | 75,037        |
| Net cash used in investing activities                       | (8,181)                                | (22,673)      | (52,390)      |
| Net cash from/(used in) financing activities                | (16,524)                               | 962           | (1,775)       |
| <b>Net (decrease)/increase in cash and cash equivalents</b> | <b>(8,558)</b>                         | <b>38,561</b> | <b>20,872</b> |
| Cash and cash equivalents at the beginning of the year      | 14,743                                 | 6,185         | 44,746        |
| <b>Cash and cash equivalents at the end of the year</b>     | <b>6,185</b>                           | <b>44,746</b> | <b>65,618</b> |

### *Net cash from operating activities*

In 2014, net cash from operating activities was RMB75.0 million, primarily resulting from operating cash flow before movements in working capital of RMB97.1 million, which was negatively affected by (i) an increase in trade and other receivables of RMB25.0 million primarily due to expansion of our business operation and (ii) income tax paid of RMB16.8 million, the effect of which were partially offset by the increase in trade and other payables of RMB19.9 million mainly as a result of expansion of our property management business line. Our operating cash flow before movements in working capital of RMB97.1 million was primarily attributable to profit before tax of RMB77.5 million,

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which was positively affected by (i) impairment losses recognized in receivables of RMB16.5 million and (ii) depreciation of property, plant and equipment of RMB4.6 million, the effect of which were partially offset by the gain on disposal of subsidiaries of RMB1.2 million.

In 2013, net cash from operating activities was RMB60.3 million, primarily resulting from operating cash flow before movements in working capital of RMB56.4 million, which was positively affected by (i) an increase in trade and other payables of RMB37.5 million, the effect of which was partially offset by an increase in trade and other receivables of RMB30.9 million primarily due to expansion of our business operation, and income tax paid of RMB2.9 million. Our trade and other receivables and trade and other payables increased significantly in 2013 mainly due to expansion of our property management business line. Our operating cash flow before movements in working capital of RMB56.4 million was primarily attributable to profit before tax of RMB46.3 million, which was positively affected by (i) impairment losses recognized in receivables of RMB8.0 million and (ii) depreciation of property, plant and equipment of RMB2.0 million.

In 2012, net cash from operating activities was RMB16.1 million, primarily resulting from operating cash flow before movements in working capital of RMB26.0 million, which was positively affected by (i) an increase in trade and other payables of RMB11.3 million mainly as a result of expansion of our property management business line, the effect of which was partially offset by (a) an increase in trade and other receivables of RMB17.6 million primarily due to expansion of our business operation, and (b) income tax paid of RMB3.6 million. Our operating cash flow before movements in working capital of RMB26.0 million was primarily attributable to profit before tax of RMB19.1 million, which was positively affected by (i) impairment losses recognized in receivables of RMB6.3 million and (ii) depreciation of property, plant and equipment of RMB1.6 million.

### *Net cash used in investing activities*

Our net cash used in investing activities was RMB52.4 million in 2014, primarily resulting from (i) payment for acquisition of properties, which had not been delivered as of December 31, 2014, in the amount of RMB44.0 million; and (ii) purchase of property, plant and equipment of RMB10.0 million primarily for office expansion and renovation and leasehold improvement principally related to the five new branch additions, the effect of which was partially offset by investment income of financial assets designated as at FVTPL of RMB1.1 million as a result of our redemption of the financial products at relevant banks and withdrawal of interests in associates for RMB9.1 million.

Our net cash used in investing activities was RMB22.7 million in 2013, primarily resulting from (i) advance to directors of RMB35.2 million; and (ii) capital contribution to associates for establishing two associate companies, the effect of which was partially offset by investment income of financial assets designated as at FVTPL of RMB0.6 million as a result of our redemption of the financial products at relevant banks.

Our net cash used in investing activities was RMB8.2 million in 2012, primarily resulting from advance to directors of RMB9.2 million, the effect of which was partially offset by investment income of financial assets designated as at FVTPL of RMB1.1 million as a result of our redemption of financial products at relevant banks.

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

Our net cash used in financing activities was RMB1.8 million in 2014, primarily resulting from dividend paid of RMB12.5 million and repayment to related parties of RMB1.3 million that we used to fund working capital, the effect of which was partially offset by new borrowings raised in the amount of RMB12.0 million.

Our net cash generated from financing activities was RMB1.0 million in 2013, primarily resulting from capital contribution from non-controlling interests of RMB1.0 million.

Our net cash used in financing activities was RMB16.5 million in 2012, primarily resulting from dividend paid of RMB10.0 million and repayment to related parties of RMB6.5 million that we used to fund working capital.

### INDEBTEDNESS

The table below sets forth our outstanding debts as of December 31, 2012, 2013 and 2014 and April 30, 2015.

|   | <u>As of December 31,</u> |              |               | <u>As of April 30,</u> |
|---|---------------------------|--------------|---------------|------------------------|
|   | <u>2012</u>               | <u>2013</u>  | <u>2014</u>   | <u>2015</u>            |
|   | (%)                       |              |               |                        |
|   | (RMB in thousands)        |              |               |                        |
| Borrowings  | —                         | —            | 12,000        | 11,213                 |
| Amounts due to related parties                                    | <u>1,398</u>              | <u>1,513</u> | <u>72</u>     | <u>19</u>              |
|   | <u>1,398</u>              | <u>1,513</u> | <u>12,072</u> | <u>11,232</u>          |
| Carrying amount repayable:  |                           |              |               |                        |
| Within one year   | 1,398                     | 1,513        | 2,433         | 2,380                  |
| More than two years, but not more than five years                 | —                         | —            | 2,361         | 2,361                  |
| More than five years  | <u>—</u>                  | <u>—</u>     | <u>7,278</u>  | <u>6,491</u>           |
|   | <u>1,398</u>              | <u>1,513</u> | <u>12,072</u> | <u>11,232</u>          |
| Less: Amounts due within one year shown under current liabilities | <u>1,398</u>              | <u>1,513</u> | <u>2,433</u>  | <u>2,380</u>           |
| <b>Amount shown under non-current liabilities</b>                 | <u>—</u>                  | <u>—</u>     | <u>9,639</u>  | <u>8,852</u>           |

We had net current assets of RMB4.6 million, RMB23.2 million and RMB31.9 million as of December 31, 2012, 2013 and 2014, respectively. As of April 30, 2015, we had net current assets of RMB190.6 million. The key components of our current assets as of April 30, 2015 included trade and other receivables of RMB72.4 million, amounts due from directors of RMB59.8 million and bank balances and cash of RMB241.2 million. As of the same date, the key components of our current liabilities included trade and other payables of RMB157.4 million and tax liabilities of RMB24.1 million.

## FINANCIAL INFORMATION

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

|                         | As of December 31, |      |      | As of April 30, |
|-------------------------|--------------------|------|------|-----------------|
|                         | 2012               | 2013 | 2014 | 2015            |
|                         | (%)                |      |      |                 |
| Variable-rate borrowing |                    |      |      |                 |
| Benchmark lending rate  | N/A                | N/A  | 6.0  | 5.8             |
| Effective interest rate | N/A                | N/A  | 6.9  | 6.7             |

All of our bank borrowings were denominated in RMB. The contract interest rate on our borrowing is 115% of the Benchmark Borrowing Rate of the People’s Bank of China.

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.

Apart from the foregoing, we did not have, as of the Latest Practicable Date, any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments, any guarantees or other material contingent liabilities.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that they are not aware of any material defaults in payment of our trade and non-trade payables and bank borrowings.

Except as disclosed in this document, we currently do not have any material external financing plans.

### WORKING CAPITAL

Our Directors are of the opinion that, after taking into account of the financial resources available to us including the estimated net proceeds of the [REDACTED], our internally generated funds and available banking facilities, we have sufficient working capital to satisfy our requirements for at least the next 12 months following the date of this document.

### CAPITAL COMMITMENTS AND CONTRACTUAL OBLIGATIONS

During the Track Record Period, our capital commitments mainly related to contracted amounts for acquisition of property, plant and equipment, such as public lighting fixtures. The table below sets forth our capital commitments as of the dates indicated.

|  | As of December 31, |       |      |
|--|--------------------|-------|------|
|  | 2012               | 2013  | 2014 |
|  | (RMB in thousands) |       |      |
| Capital expenditures in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial information | 2,947              | 2,440 | 313  |



## FINANCIAL INFORMATION

### [REDACTED]

The estimated total [REDACTED] (excluding underwriting commissions) in relation to this [REDACTED] are estimated to be approximately [REDACTED]. These [REDACTED] mainly comprise professional fees paid to legal advisors, the reporting accountants and professional parties for their services rendered in relation to the [REDACTED] and the [REDACTED] and also the sponsor fees for the Sole Sponsor (for the amount of not more than RMB3.1 million) for its services rendered in relation to the [REDACTED] and the [REDACTED], of which approximately [REDACTED] is directly attributable to the [REDACTED] and to be capitalized, and approximately [REDACTED] has been or is expected to be reflected in our combined income statements. In 2014, approximately [REDACTED] in [REDACTED] were reflected in our combined income statement. Our Directors expect such expenses to materially impact our results of operations for 2015.

### OPERATING LEASES

#### As Lessee

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated and rentals are fixed for terms of two to ten years. The table below summarizes our operating lease commitments for the years indicated.

|   | <b>For the year ended December 31,</b> |             |             |
|---|--|-------------|-------------|
|   | <b>2012</b>                            | <b>2013</b> | <b>2014</b> |
|   | <i>(RMB in thousands)</i>              |             |             |
| Minimum lease payments paid under operating leases<br>in respect of rented premises during the year | 448                                    | 748         | 970         |

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.

|                            | <b>As of December 31,</b> |              |              |
|----------------------------|---------------------------|--------------|--------------|
|                            | <b>2012</b>               | <b>2013</b>  | <b>2014</b>  |
|                            | <i>(RMB in thousands)</i> |              |              |
| Within one year            | 557                       | 934          | 828          |
| Between one and five years | 281                       | 763          | 464          |
| Over five years            | 66                        | 10           | —            |
| <b>Total</b>               | <b>904</b>                | <b>1,707</b> | <b>1,292</b> |

## FINANCIAL INFORMATION

### CONTINGENT LIABILITIES

Except as disclosed in this document, as of April 30, 2015, being the latest practicable date for the purpose of this statement we were not involved in any material legal, arbitration or administrative proceedings that if adversely determined, we expect would materially adversely affect our financial position or results of operations, although there can be no assurance that this will be the case in the future.

### OFF-BALANCE SHEET ARRANGEMENTS

Subsequent to the Track Record Period and up to the date of this document, 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.

### KEY FINANCIAL METRICS

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

| <u>Financial metric</u>  | <u>Formula</u>  | <u>As of or for the year ended December 31,</u> |             |             |
|--------------------------|---|---|-------------|-------------|
|                          |   | <u>2012</u>                                     | <u>2013</u> | <u>2014</u> |
| <b>Rates of return:</b>  |   |   |             |             |
| Return on equity         | Profit and total comprehensive income 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 × 100% | 67.6  | 63.6        | 58.7        |
| Return on total assets   | Profit and total comprehensive income attributable to owners of the Company for the year divided by total assets as of the end of the year × 100%                                       | 11.2  | 16.7        | 20.1        |
| <b>Liquidity:</b>        |   |   |             |             |
| Current ratio            | Current assets divided by current liabilities   | 104.8   | 116.0       | 118.4       |
| <b>Capital adequacy:</b> |   |   |             |             |
| Gearing ratio            | Total debt <sup>(1)</sup> divided by total equity at the end of the respective year   | 6.9   | 2.4         | 12.5        |
| Net debt to equity ratio | Net debt <sup>(2)</sup> divided by total equity at the end of the respective year   | Net cash  | Net cash    | Net cash    |

*Notes:*

(1) Debts are defined to include amounts due to related parties and borrowing.

(2) Net debt is defined to include all borrowings net of cash and cash equivalents.

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## FINANCIAL INFORMATION

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### *Return on equity*

Our return on equity decreased throughout the Track Record Period. The decrease in our return on equity was primarily due to a higher rate of increase in reserves as compared to the increase in net profit.

### *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 the decrease in cost and expenses as a percentage of revenue.

### *Current ratio*

Our current ratio increased throughout the Track Record Period. The increase in our current ratio was primarily due to our increased bank balances and cash increase in trade receivables and increase in amounts due from directors as of December 31, 2014 as compared to December 31, 2013 and December 31, 2012.

### *Gearing ratio*

Our gearing ratio decreased from 6.9 as of December 31, 2012 to 2.4 as of December 31, 2013 and increased to 12.5 as of December 31, 2014. Our gearing ratio decreased from 2012 to 2013 primarily due to an increase in total equity. Our gearing ratio increased in 2014, primarily due to the new borrowings of RMB12.0 million incurred in 2014.

### *Net debt to equity ratio*

We were in a net cash position as of December 31, 2012, December 31, 2013 and December 31, 2014.

## QUANTITATIVE AND QUALITATIVE ANALYSIS OF 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 risks 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 bank balances and variable-rate bank borrowings. We currently do not use any derivative contracts to hedge our bank borrowing to interest rate risk. However, we will consider hedging significant interest rate exposure should the need arise. Our cash flow interest rate risk is concentrated on the fluctuation of the Benchmark Borrowing Rate of The People's Bank of China.

Our management considered that interest rate risk of bank balances is insignificant. Accordingly, our sensitivity analysis has been determined based on the exposure to interest rates for the variable-rate bank borrowing at the end of the reporting period. A 50 basis points increase or decrease is used when

## FINANCIAL INFORMATION

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reporting interest rate internally to key management personnel and represents management’s assessment of the reasonably possible change of interest rates. If interest rates had been 50 basis points higher or lower and all other variables were held constant, our post-tax profit for the years ended 31 December 2012, 2013 and 2014 would decrease or increase by approximately nil, nil and RMB45,000, respectively.

### **Credit Risk**

At the end of each reporting period, our maximum exposure to credit risk which will cause a financial loss to us 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 combined statements of financial position at the end of each reporting period.

In order to minimize the 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 management consider 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, who are residents in the residential communities managed by us under lump sum basis. However, we had concentration of credit risk in respective of amounts due from directors, and a fellow subsidiary. The details are disclosed in notes 24 and 25 in the Accountant’s Report in Appendix I of this document. Our management considered that the credit risk of amounts due from a director is insignificant after considering the credit quality and financial quality of these counterparties. Our credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, we do not have any other significant concentration of credit risk.

### **Liquidity Risk**

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

## FINANCIAL INFORMATION

### *Liquidity and interest risk tables*

The following table details 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. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period. The amounts included below for variable interest rate instruments for financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

|                                | Weighted<br>average<br>effective<br>interest rate | Repayable<br>on demand | Less than 3<br>months | 3 months to<br>1 year | 1-5 years             | Total<br>undiscounted<br>cash flows | Carrying<br>amount    |
|--------------------------------|---|------------------------|-----------------------|-----------------------|-----------------------|-------------------------------------|-----------------------|
|                                |   | (RMB<br>in thousands)  | (RMB<br>in thousands) | (RMB<br>in thousands) | (RMB<br>in thousands) | (RMB<br>in thousands)               | (RMB<br>in thousands) |
| <i>As of December 31, 2012</i> |   |                        |                       |                       |                       |                                     |                       |
| Trade payables                 | —   | 3,929                  | 56,075                | —                     | —                     | 60,004                              | 60,004                |
| Amounts due to related parties | —   | 1,313                  | 85                    | —                     | —                     | 1,398                               | 1,398                 |
|                                |   | <u>5,242</u>           | <u>56,160</u>         | <u>—</u>              | <u>—</u>              | <u>61,402</u>                       | <u>61,402</u>         |
| <i>As of December 31, 2013</i> |   |                        |                       |                       |                       |                                     |                       |
| Trade payables                 | —   | 6,845                  | 89,951                | —                     | —                     | 96,796                              | 96,796                |
| Amounts due to related parties | —   | 1,275                  | 238                   | —                     | —                     | 1,513                               | 1,513                 |
|                                |   | <u>8,120</u>           | <u>90,189</u>         | <u>—</u>              | <u>—</u>              | <u>98,309</u>                       | <u>98,309</u>         |
| <i>As of December 31, 2014</i> |   |                        |                       |                       |                       |                                     |                       |
| Trade payables                 | —   | 10,795                 | 99,333                | —                     | —                     | 110,128                             | 110,128               |
| Amounts due to related parties | —   | —                      | 72                    | —                     | —                     | 72                                  | 72                    |
| Borrowings                     | 6.9%  | —                      | 800                   | 2,952                 | 10,391                | 14,143                              | 12,000                |
|                                |   | <u>10,795</u>          | <u>100,205</u>        | <u>2,952</u>          | <u>10,391</u>         | <u>124,343</u>                      | <u>122,200</u>        |

## FINANCIAL INFORMATION

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### DIVIDENDS AND DISTRIBUTABLE RESERVES

#### Dividends

Dividends of RMB10.0 million, nil and RMB12.5 million have been distributed by Guangdong Zhong Ao to its then shareholders during the years ended December 31, 2012, 2013 and 2014, respectively. We declared dividends of RMB20.0 million in February 2015 and fully paid this amount in the same month. Subsequently, we declared dividends of RMB67.6 million in April 2015 and fully paid this amount in June 2015, partially offsetting RMB34.1 million of the amounts due from Directors. The payment of such dividends were funded from cash generated from operations.

#### Distributable Reserves

As of December 31, 2014, our distributable reserves totaled approximately RMB66.0 million, representing our retained profits.

[REDACTED]

## **FINANCIAL INFORMATION**

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[REDACTED]

### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that they have performed sufficient due diligence to ensure that, up to the date of this document, there has been no material adverse change in our financial position or prospects since December 31, 2014 (being the date to which our Company's latest combined audited financial results were prepared) and there has been no event since December 31, 2014 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this document.

### **DISCLOSURES MADE PURSUANT TO RULES 13.13 TO 13.19 OF HONG KONG LISTING RULES**

Our Directors confirm that as of the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

See the section headed “Our Business — Our Strategies” for a detailed description of our future plans.

### USE OF PROCEEDS

Assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the estimated [REDACTED] range, we estimate that we will receive net proceeds from the [REDACTED] of approximately [REDACTED] (assuming an [REDACTED] of [REDACTED] per Share, being the mid-point of the estimated [REDACTED] range), after deducting the underwriting fees and commissions and estimated expenses payable by us in relation to the [REDACTED].

We intend to use the net proceeds we will receive from this [REDACTED] for the following purposes:

- approximately [REDACTED] of net proceeds to us (approximately [REDACTED]) will be used for acquisition of property management companies. Please see the section entitled “Business — Acquisition.” As of the Latest Practicable Date, we had not identified any particular target;
- approximately [REDACTED] of net proceeds to us (approximately [REDACTED]) will be used for development of the O2O platform. Please see the section entitled “Business — Property Management Business Line — Our O2O Platform”;
- approximately [REDACTED] of net proceeds to us (approximately [REDACTED]) will be used for implementation of training and recruitment programs; and
- approximately [REDACTED] of net proceeds to us (approximately [REDACTED]) will be used for working capital and general corporate purposes.

If the [REDACTED] is determined at [REDACTED], being the high-end of the estimated [REDACTED] range, the net proceeds to us would be increased by [REDACTED]. In such event, the percentage of our allocation of the total net proceeds for the above purposes will be adjusted on a pro rata basis.

If the [REDACTED] is determined at [REDACTED], being the low-end of the estimated [REDACTED] range, the net proceeds to us would be decreased by [REDACTED]. In such event, the percentage of our allocation of the total net proceeds for the above purposes will be adjusted on a pro rata basis.

If the [REDACTED] is exercised in full, and assuming that the [REDACTED] is [REDACTED] (being the mid-point of the estimated [REDACTED] range), the net proceeds to us would be increased by [REDACTED]. In such event, the percentage of our allocation of the total net proceeds for the above purposes will be adjusted on a pro rata basis.

To the extent that the net proceeds of the [REDACTED] are not immediately used for the purposes described above they will be placed in short term demand deposits and/or money market instruments.



## UNDERWRITING

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### HONG KONG UNDERWRITERS

[REDACTED]

### UNDERWRITING ARRANGEMENTS AND EXPENSES

[REDACTED]

#### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially [REDACTED] [REDACTED] for subscription by the public in Hong Kong on and subject to the terms and conditions of this document and the [REDACTED] at the [REDACTED]. Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, our Shares to be offered pursuant to the [REDACTED] as mentioned herein (including any additional Shares which may be issued pursuant to the exercise of the [REDACTED]) and to certain other conditions set out in the Hong Kong Underwriting Agreement (which is expected to be entered into on or around the date of this document), the [REDACTED] have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the [REDACTED] now being offered which are not taken up under the [REDACTED] on and subject to the terms and conditions of this document, the [REDACTED] and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the [REDACTED] having been signed and becoming unconditional and not having been terminated in accordance with its terms.

One of the conditions is that the [REDACTED] must be agreed between us and the [REDACTED], on behalf of the [REDACTED]. For applicants applying under the [REDACTED], this document and the [REDACTED] contain the terms and conditions of the [REDACTED]. The [REDACTED] is expected to be fully underwritten by the [REDACTED]. If, for any reason, the [REDACTED] is not agreed between us and the [REDACTED], on behalf of the [REDACTED], the [REDACTED] will not proceed.

## UNDERWRITING

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[REDACTED]

## UNDERWRITING

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[REDACTED]

## UNDERWRITING

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[REDACTED]

## UNDERWRITING

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[REDACTED]

## UNDERWRITING

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[REDACTED]

### **Undertakings to the Stock Exchange pursuant to the Hong Kong Listing Rules**

#### *Undertakings by us*

We are expected to undertake to the Stock Exchange that, except in certain circumstances prescribed by Rule 10.08 of the Hong Kong Listing Rules or pursuant to the [REDACTED], no further shares or securities convertible into securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the [REDACTED] (whether or not such issue of shares or securities will be completed within six months from the [REDACTED]).

## UNDERWRITING

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[REDACTED]

## UNDERWRITING

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[REDACTED]



## UNDERWRITING

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[REDACTED]

**The [REDACTED]**

In connection with the [REDACTED], it is expected that our Company will enter into the International Underwriting Agreement with the [REDACTED]. Under the International Underwriting Agreement, the [REDACTED] will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for the [REDACTED], failing which they agree to subscribe for or purchase their respective proportions of the [REDACTED] which are not taken up under the [REDACTED].

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## UNDERWRITING

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We will grant to the [REDACTED] the [REDACTED], exercisable by the [REDACTED] on behalf of the [REDACTED] during the 30-day period from the last day for lodging of applications under the [REDACTED], which is ended on [REDACTED], to require us to issue up to an aggregate of [REDACTED] additional Shares, representing approximately 15% of the Shares initially available under the [REDACTED], at the [REDACTED], among other things, to cover [REDACTED] in the [REDACTED], if any. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the [REDACTED] will not proceed.

### **Commission, Expenses and Sponsor's Fee**

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission of [REDACTED] on the [REDACTED] of the [REDACTED] initially offered under the [REDACTED], out of which they will pay any sub-underwriting commission, if any. For unsubscribed [REDACTED] reallocated to the [REDACTED], our Company will pay an underwriting commission at the rate applicable to the [REDACTED] and such commission will be paid to the [REDACTED] and the relevant International Underwriters (but not the Hong Kong Underwriters). In addition, the Company may, in its sole and absolute discretion, pay any one or all of the Underwriters an incentive fee of up to [REDACTED] of the [REDACTED] per [REDACTED].

Based on an [REDACTED] of [REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] range of [REDACTED] to [REDACTED] per Share), the aggregate commission and fee, together with listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our Company relating to the [REDACTED] (collectively the "Commission and Fee") are estimated to be approximately [REDACTED] in total (assuming the [REDACTED] is not exercised).

An amount of approximately [REDACTED] is payable by our Company as sponsor fee to the Sole Sponsor.

### **Underwriting**

We are expected to agree to indemnify the Hong Kong Underwriters and International Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Underwriting Agreements and any breach by our Company of the Underwriting Agreements.

### **Hong Kong Underwriters' Interests in our Company**

Save as disclosed in this document and save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company.

## UNDERWRITING

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Following the completion of the [REDACTED], the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

[REDACTED]

### **Sponsors’ Independence**

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Hong Kong Listing Rules.

[REDACTED]

## UNDERWRITING

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[REDACTED]

## **STRUCTURE OF THE [REDACTED]**

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[REDACTED]

## **STRUCTURE OF THE [REDACTED]**

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[REDACTED]

## **STRUCTURE OF THE [REDACTED]**

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[REDACTED]

## **STRUCTURE OF THE [REDACTED]**

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[REDACTED]



## **STRUCTURE OF THE [REDACTED]**

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[REDACTED]

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[REDACTED]

## **STRUCTURE OF THE [REDACTED]**

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[REDACTED]

## **STRUCTURE OF THE [REDACTED]**

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[REDACTED]

## **HOW TO APPLY FOR [REDACTED]**

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[REDACTED]

## HOW TO APPLY FOR [REDACTED]

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## HOW TO APPLY FOR [REDACTED]

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# Deloitte.

## 德勤

The Directors  
Zhong Ao Home Group Limited

Macquarie Capital Securities Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding Zhong Ao Home Group Limited (formerly known as Zhong Ao Services Group Limited) (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 31 December 2014 (the “Relevant Period”) for inclusion in the [REDACTED] of the Company dated [●] (the “[REDACTED]”) in connection with the initial [REDACTED] 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 with limited liability in the Cayman Islands under the Cayman Islands Companies Law on 5 January 2015. The Company is an investment holding company and has not carried on any business except for equity transactions and preparation for initial [REDACTED] of shares of the Company since its incorporation. Through a reorganisation (the “Reorganisation”) as more fully explained in the section “History, Reorganisation and Group Structure” of the [REDACTED], the Company became the holding company of the Group on 15 April 2015.

At the end of each reporting period and at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

| Name of company   | Place of incorporation/<br>establishment         | Date of incorporation/<br>establishment | Issued and fully paid share/<br>registered capital | Equity interest attributable to the Group |      |      | Principal activities | Legal Form         |                            |
|---|--|---|--|---|------|------|----------------------|--------------------|----------------------------|
|   |  |   |  | As at 31 December                         |      |      |                      |                    | At the date of this report |
|   |  |   |  | 2012                                      | 2013 | 2014 |                      |                    |                            |
|   |  |   |  | %   | %    | %    | %                    |                    |                            |
| <i>Directly held:</i>   |  |   |  |   |      |      |                      |                    |                            |
| Zhong Ao Holdings Limited<br>("Zhong Ao Holdings")                                      | British Virgin Islands<br>(the "BVI")            | 24 November 2014                        | USD1   | —   | —    | 100  | 100                  | Investment holding | Private limited company    |
| <i>Indirectly held:</i>   |  |   |  |   |      |      |                      |                    |                            |
| Zhong Ao Property Services<br>(Hong Kong) Limited<br>("Zhong Ao HK")                    | Hong Kong  | 15 January 2015                         | HKD1   | —   | —    | —    | 100                  | Investment holding | Private limited company    |
| 廣州旭基物業服務有限公司<br>Guangzhou Xuji Property<br>Management Co., Ltd. *<br>("Guangzhou Xuji") | The People's Republic of<br>China<br>(the "PRC") | 23 March 2015                           | HKD1,000,000                                       | —   | —    | —    | 100                  | Investment holding | Limited liability company  |

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| Name of company  | 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                |
|--|---------------------------------------|--------------------------------------|---|---|-----------------|----------------|----------------------------|--|---------------------------|
|  |                                       |                                      |   | As at 31 December                         |                 |                | At the date of this report |  |                           |
|  |                                       |                                      |   | 2012                                      | 2013            | 2014           |                            |  |                           |
| %  | %                                     | %                                    | %   |   |                 |                |                            |  |                           |
| 廣州德雅信息科技有限公司<br>Guangzhou Suiya Information Technology Co., Ltd. *<br>("Guangzhou Suiya")                  | PRC                                   | 31 March 2015                        | HKD1,000,000                                    | —   | —               | —              | 100                        | Investment holding                                   | Limited liability company |
| 廣東中興物業管理有限公司<br>Guangdong Zhong Ao Property Management Co., Ltd. *<br>("Guangdong Zhong Ao")               | PRC                                   | 26 September 2005                    | RMB10,000,000                                   | 100                                       | 100             | 100            | 100                        | Provision of property management services            | Limited liability company |
| 廣州白金管家酒店物業管理有限公司<br>Guangzhou Baijin Guanjia Hotel Property Management Co., Ltd. *<br>("Guangzhou Baijin") | PRC                                   | 2 March 2009                         | RMB5,000,000                                    | 100                                       | 100             | 100            | 100                        | Provision of property management consulting services | Limited liability company |
| 佛山市南海鉅隆物業有限公司<br>Foshan Nanhai Julong Property Management Co., Ltd. *<br>("Foshan Julong")                 | PRC                                   | 19 September 2005                    | RMB5,010,000                                    | —<br>(note 1)                             | —               | —              | —                          | Provision of property management services            | Limited liability company |
| 杭州綠都湖濱花園物業服務有限公司<br>Hangzhou Lvdu Hubin Garden Property Services Co., Ltd. *<br>("Hangzhou Lvdu")          | PRC                                   | 21 March 2006                        | RMB2,500,000                                    | 100<br>(note 2)                           | 100             | 100            | 100                        | Provision of property management services            | Limited liability company |
| 杭州華昌物業管理有限公司<br>Hangzhou Huachang Property Management Co., Ltd. *<br>("Hangzhou Huachang")                 | PRC                                   | 20 February 2012                     | RMB1,000,000                                    | —   | 100<br>(note 3) | 100            | 100                        | Provision of property management services            | Limited liability company |
| 廣州中興建設投資有限公司<br>Guangzhou Zhong Ao Construction Investment Co., Ltd. *<br>("Zhong Ao Construction")        | PRC                                   | 7 June 2013                          | RMB10,000,000                                   | —   | 100             | —<br>(note 4)  | —                          | Inactive   | Limited liability company |
| 廣州中興酒店投資有限公司<br>Guangzhou Zhong Ao Hotel Investment Co., Ltd. *<br>("Zhong Ao Hotel")                      | PRC                                   | 25 December 2013                     | RMB10,000,000                                   | —   | 90              | —<br>(note 4)  | —                          | Inactive   | Limited liability company |
| 廣州到家信息科技有限公司<br>Guangzhou Daojia Information Technology Co., Ltd. *<br>("Guangzhou Daojia")                | PRC                                   | 14 March 2014                        | RMB1,000,000                                    | —   | —               | 75<br>(note 5) | 75                         | Inactive   | Limited liability company |
| 杭州壹到科技信息有限公司<br>Hangzhou Yidao Technology Information Co., Ltd. *<br>("Hangzhou Yidao")                    | PRC                                   | 3 February 2015                      | RMB1,000,000                                    | —   | —               | —              | 100                        | Inactive   | Limited liability company |

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At the end of each of reporting period and at the date of this report, the Company has interests in the following associates:

| Name of company   | 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                      |
|---|---------------------------------------|--------------------------------------|---|---|------|---------------|----------------|---|---------------------------------|
|   |                                       |                                      |   | As at 31 December                         |      |               | At the date of |   |                                 |
|   |                                       |                                      |   | 2012                                      | 2013 | 2014          | this report    |   |                                 |
|   |                                       |                                      |   | %   | %    | %             | %              |   |                                 |
| 恩施吉康國際文化旅遊養生產業<br>基地開發有限公司<br>Enshi Jikang International<br>Cultural Tourism and Health<br>Industry Development<br>Company Limited *<br>("Enshi Tourism") | PRC                                   | 7 June 2013                          | RMB20,000,000                                   | N/A                                       | 34   | —<br>(Note 6) | —              | Provision of<br>tourism service           | Limited<br>liability<br>company |
| 恩施吉康連珠塔風景區開發有限<br>公司 Enshi Jikang Lianzhu<br>Tower Scenic Spot<br>Development Company<br>Limited *<br>("Enshi Development")                               | PRC                                   | 7 June 2013                          | RMB10,000,000                                   | N/A                                       | 34   | —<br>(Note 7) | —              | Provision of<br>tourism service           | Limited<br>liability<br>company |
| 廣州奧業體育有限公司<br>Guangzhou Aoye Sport<br>Company Limited *<br>("Guangzhou Aoye")   | PRC                                   | 6 May 2014                           | RMB7,000,000                                    | N/A                                       | N/A  | —<br>(Note 8) | —              | Provision of<br>sport related<br>services | Limited<br>liability<br>company |

At the end of each of reporting period and at the date of this report, the Company has interests in the following joint ventures:

| Name of company   | 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                      |
|---|---------------------------------------|--------------------------------------|---|---|------|---------------|----------------|----------------------|---------------------------------|
|   |                                       |                                      |   | As at 31 December                         |      |               | At the date of |                      |                                 |
|   |                                       |                                      |   | 2012                                      | 2013 | 2014          | this report    |                      |                                 |
|   |                                       |                                      |   | %   | %    | %             | %              |                      |                                 |
| 寧波市迪賽酒店物業服務<br>有限公司 Ningbo Disai<br>Hotel Property Service<br>Company Limited *<br>("Ningbo Disai") | PRC                                   | 14 July 2009                         | RMB1,500,000                                    | —   | —    | 60            | 60             | Inactive             | Limited<br>liability<br>company |
| 廣州到家信息科技有限公司<br>Guangzhou Daojia<br>Information Technology<br>Co., Ltd. *<br>("Guangzhou Daojia")   | PRC                                   | 14 March 2014                        | RMB1,000,000                                    | N/A                                       | N/A  | —<br>(note 5) | —              | Inactive             | Limited<br>liability<br>company |

\* The English name is for identification purpose only.

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*Notes:*

- (1) Foshan Julong was disposed in 2012. Details are set out in note 34.
- (2) Hangzhou Lvdu was acquired in 2012. Details are set out in note 33.
- (3) Hangzhou Huachang was acquired in 2013. Details are set out in note 33.
- (4) Zhong Ao Construction and Zhong Ao Hotel were disposed in 2014. Details are set out in note 34.
- (5) Guangzhou Daojia was a joint venture of the Group upon establishment, which was held by Guangdong Zhong Ao, a wholly-owned subsidiary of the Company. The Group then obtained control over Guangzhou Daojia on 29 November 2014 and it is regarded as a subsidiary of the Company since then. Details are set out in note 20.
- (6) Enshi Tourism was deregistered in 2014. Details are set out in note 19.
- (7) Enshi Development was deregistered in 2014. Details are set out in note 19.
- (8) Guangzhou Aoye was disposed in 2014. Details are set out in note 19.

The financial year end of the Company and its subsidiaries is 31 December.

No audited statutory financial statements have been prepared for the Company and Zhong Ao Holdings, since their respective date of incorporation, as there is no statutory audit requirement in the jurisdictions where they were incorporated.

No audited statutory financial statements have been prepared for Zhong Ao HK, Guangzhou Xuji, Guangzhou Suiya and Hangzhou Yidao, which were incorporated or established in 2015 as they have not reached the statutory time imposed on the issuance of first set of audited financial statements since their respective date of incorporation or establishment.

The statutory financial statements of the following entities established in the PRC for the Relevant Period or since the 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.

| <u>Name of company</u> | <u>Periods covered</u>              | <u>Name of auditors</u> |
|------------------------|-------------------------------------|-------------------------|
| Guangdong Zhong Ao     | For the year ended 31 December 2012 | 廣東正中珠江會計師事務所(特殊普通合夥)    |
|                        | For the year ended 31 December 2013 | 廣州惠建會計師事務所有限公司          |
|                        | For the year ended 31 December 2014 | 廣東惠建會計師事務所有限公司          |

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| <b>Name of company</b> | <b>Periods covered</b>   | <b>Name of auditors</b> |
|------------------------|--|-------------------------|
| Guangzhou Baijin       | For the year ended 31 December 2012  | 廣東新華會計師事務所有限公司          |
|                        | For the year ended 31 December 2013  | 廣州惠建會計師事務所有限公司          |
|                        | For the year ended 31 December 2014  | 廣東惠建會計師事務所有限公司          |
| Hangzhou Lvdu          | For the year ended 31 December 2012  | 杭州蕭然會計師事務所有限公司          |
|                        | For the year ended 31 December 2013  | 杭州勤行會計師事務所有限公司          |
|                        | For the year ended 31 December 2014  | 廣東惠建會計師事務所有限公司          |
| Hangzhou Huachang      | For the year ended 31 December 2013  | 廣州惠建會計師事務所有限公司          |
|                        | For the year ended 31 December 2014  | 廣東惠建會計師事務所有限公司          |
| Zhong Ao Construction  | For the period from 7 June 2013 (date of establishment) to 31 December 2013      | 廣州惠建會計師事務所有限公司          |
| Zhong Ao Hotel         | For the period from 25 December 2013 (date of establishment) to 31 December 2013 | 廣州惠建會計師事務所有限公司          |
| Guangzhou Daojia       | For the period from 14 March 2014 (date of establishment) to 31 December 2014    | 廣東惠建會計師事務所有限公司          |

For the purpose of this report, the directors of Guangdong Zhong Ao have prepared the consolidated financial statements of Guangdong Zhong Ao and its subsidiaries for the Relevant Period in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”) (the “HKFRS Financial Statements”). We have undertaken an independent audit on the HKFRS Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the HKFRS Financial Statements and the management accounts of Zhong Ao Holdings for the period from 24 November 2014 (date of incorporation to 31 December 2014) in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

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The Financial Information set out in this report has been prepared from the Underlying Financial Statements, on the basis of presentation 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 [REDACTED].

The Underlying Financial Statements are the responsibility of directors of respective subsidiaries who approved their issuance. The directors of the Company are responsible for the contents of the [REDACTED] 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 presentation 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 as at 31 December 2012, 2013 and 2014 and of the profits and cash flows of the Group for the Relevant Period.



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**ACCOUNTANTS’ REPORT**

**A. FINANCIAL INFORMATION**

**COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

|   | <b>NOTES</b> | <b>Year ended 31 December</b> |                  |                  |
|---|--------------|-------------------------------|------------------|------------------|
|   |              | <b>2012</b>                   | <b>2013</b>      | <b>2014</b>      |
|   |              | <i>RMB'000</i>                | <i>RMB'000</i>   | <i>RMB'000</i>   |
| Revenue   | 8            | 197,449                       | 290,276          | 361,202          |
| Cost of sales and services  |              | <u>(159,877)</u>              | <u>(212,352)</u> | <u>(240,491)</u> |
| Gross profit  |              | 37,572                        | 77,924           | 120,711          |
| Other income  | 9            | 4,494                         | 1,481            | 3,155            |
| Other gains and losses  | 10           | (6,172)                       | (9,381)          | (16,328)         |
| Administrative expenses   |              | (14,344)                      | (19,852)         | (21,472)         |
| [REDACTED]  |              | —                             | —                | [REDACTED]       |
| Selling and distribution expenses                                   |              | (2,438)                       | (3,413)          | (3,765)          |
| Share of results of associates                                      |              | —                             | (424)            | (670)            |
| Share of results of joint ventures                                  |              | —                             | —                | (98)             |
| Finance costs   | 11           | <u>—</u>                      | <u>—</u>         | <u>(5)</u>       |
| Profit before tax   |              | 19,112                        | 46,335           | 77,548           |
| Income tax expense  | 12           | <u>(6,316)</u>                | <u>(13,265)</u>  | <u>(21,650)</u>  |
|   |              | <u>12,796</u>                 | <u>33,070</u>    | <u>55,898</u>    |
| Profit and total comprehensive income for the year attributable to: |              |                               |                  |                  |
| — Owners of the Company   | 14           | 12,796                        | 33,070           | 56,031           |
| — Non-controlling interests   |              | <u>—</u>                      | <u>—</u>         | <u>(133)</u>     |
|   |              | <u>12,796</u>                 | <u>33,070</u>    | <u>55,898</u>    |

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**COMBINED STATEMENTS OF FINANCIAL POSITION**

|   | NOTES | As at 31 December |                |                |
|---|-------|-------------------|----------------|----------------|
|   |       | 2012              | 2013           | 2014           |
|   |       | RMB’000           | RMB’000        | RMB’000        |
| <b>Non-current assets</b>   |       |                   |                |                |
| Property, plant and equipment                                       | 17    | 11,863            | 15,993         | 21,121         |
| Payment for acquisition of properties                               | 18    | —                 | —              | 44,000         |
| Interests in associates   | 19    | —                 | 9,776          | —              |
| Interests in joint ventures   | 20    | —                 | —              | 802            |
| Goodwill  | 21    | 41                | 41             | 41             |
| Intangible assets   | 22    | 257               | 201            | 145            |
| Deferred tax asset  | 23    | 2,186             | 3,819          | 7,282          |
|   |       | <u>14,347</u>     | <u>29,830</u>  | <u>73,391</u>  |
| <b>Current assets</b>   |       |                   |                |                |
| Trade and other receivables   | 24    | 44,685            | 67,601         | 79,197         |
| Amounts due from directors  | 25    | 25,085            | 54,326         | 59,838         |
| Amount due from a related party                                     | 26    | 550               | 1,115          | 1,000          |
| Financial assets designated as at fair value through profit or loss | 27    | 23,080            | —              | —              |
| Bank balances and cash  | 28    | 6,185             | 44,746         | 65,618         |
|   |       | <u>99,585</u>     | <u>167,788</u> | <u>205,653</u> |
| <b>Current liabilities</b>  |       |                   |                |                |
| Trade and other payables  | 29    | 91,745            | 129,278        | 149,193        |
| Amounts due to related parties                                      | 30    | 1,398             | 1,513          | 72             |
| Tax liabilities   |       | 1,868             | 13,836         | 22,140         |
| Borrowing due within one year                                       | 31    | —                 | —              | 2,361          |
|   |       | <u>95,011</u>     | <u>144,627</u> | <u>173,766</u> |
| <b>Net current assets</b>   |       | <u>4,574</u>      | <u>23,161</u>  | <u>31,887</u>  |
| <b>Total assets less current liabilities</b>                        |       | <u>18,921</u>     | <u>52,991</u>  | <u>105,278</u> |
| <b>Non-current liabilities</b>                                      |       |                   |                |                |
| Borrowing due after one year  | 31    | —                 | —              | 9,639          |
| Deferred tax liability  | 23    | —                 | —              | —              |
|   |       | <u>—</u>          | <u>—</u>       | <u>9,639</u>   |
| <b>Net assets</b>   |       | <u>18,921</u>     | <u>52,991</u>  | <u>95,639</u>  |

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|                                | <u>NOTES</u> | <u>As at 31 December</u> |                      |                      |
|--------------------------------|--------------|--------------------------|----------------------|----------------------|
|                                |              | <u>2012</u>              | <u>2013</u>          | <u>2014</u>          |
|                                |              | <i>RMB'000</i>           | <i>RMB'000</i>       | <i>RMB'000</i>       |
| <b>Capital and reserves</b>    |              |                          |                      |                      |
| Paid-in capital                | 32           | 10,000                   | 10,000               | 10,000               |
| Reserves                       |              | <u>8,921</u>             | <u>41,991</u>        | <u>85,522</u>        |
| <b>Equity attributable to:</b> |              |                          |                      |                      |
| Owners                         |              | 18,921                   | 51,991               | 95,522               |
| Non-controlling interests      |              | <u>—</u>                 | <u>1,000</u>         | <u>117</u>           |
| <b>Total equity</b>            |              | <u><u>18,921</u></u>     | <u><u>52,991</u></u> | <u><u>95,639</u></u> |

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**COMBINED STATEMENTS OF CHANGES IN EQUITY**

|   | Attributable to owners of the Company |                     |                     |                                     |           |         | Non-controlling interests | Total |
|---|---------------------------------------|---------------------|---------------------|-------------------------------------|-----------|---------|---------------------------|-------|
|   | Paid-in capital                       | Statutory reserve   | Other reserve       | (Accumulated loss) retained profits | Sub-total |         |                           |       |
|   | RMB'000                               | RMB'000<br>(Note a) | RMB'000<br>(Note b) | RMB'000                             | RMB'000   | RMB'000 |                           |       |
| At 1 January 2012   | 10,000                                | 998                 | 14,000              | (8,873)                             | 16,125    | —       | 16,125                    |       |
| Profit and total comprehensive income for the year            | —                                     | —                   | —                   | 12,796                              | 12,796    | —       | 12,796                    |       |
| Transfer  | —                                     | 827                 | —                   | (827)                               | —         | —       | —                         |       |
| Distribution (note 15)  | —                                     | —                   | —                   | (10,000)                            | (10,000)  | —       | (10,000)                  |       |
| At 31 December 2012   | 10,000                                | 1,825               | 14,000              | (6,904)                             | 18,921    | —       | 18,921                    |       |
| Profit and total comprehensive income for the year            | —                                     | —                   | —                   | 33,070                              | 33,070    | —       | 33,070                    |       |
| Transfer  | —                                     | 3,376               | —                   | (3,376)                             | —         | —       | —                         |       |
| Contribution by non-controlling interests                     | —                                     | —                   | —                   | —                                   | —         | 1,000   | 1,000                     |       |
| At 31 December 2013   | 10,000                                | 5,201               | 14,000              | 22,790                              | 51,991    | 1,000   | 52,991                    |       |
| Profit and total comprehensive income for the year            | —                                     | —                   | —                   | 56,031                              | 56,031    | (133)   | 55,898                    |       |
| Transfer  | —                                     | 304                 | —                   | (304)                               | —         | —       | —                         |       |
| Distribution (note 15)  | —                                     | —                   | —                   | (12,500)                            | (12,500)  | —       | (12,500)                  |       |
| Deemed acquisition of a non-wholly owned subsidiary (note 33) | —                                     | —                   | —                   | —                                   | —         | 250     | 250                       |       |
| Disposal of a subsidiary (note 34)                            | —                                     | —                   | —                   | —                                   | —         | (1,000) | (1,000)                   |       |
| At 31 December 2014   | 10,000                                | 5,505               | 14,000              | 66,017                              | 95,522    | 117     | 95,639                    |       |

*Notes:*

- (a) The statutory reserve is non-distributable and the transfer to this reserve is determined by the board of directors of the relevant subsidiaries established in the PRC in accordance with the Articles of Association of the relevant subsidiaries by way of appropriations from its net profit. 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) On 29 November 2011, Mr. Liu Jian, the controlling shareholder of Guangdong Zhong Ao, transferred his 40% equity interest of Guangdong Zhong Ao to Mr. Long Weimin and Mr. Liang Bin at RMB2,000,000 each. Both Mr. Long Weimin and Mr. Liang Bin are the employees of Guangdong Zhong Ao, the fair value of services received is determined at the date of equity transferred amounting to RMB18,000,000, and the difference between the fair value of services received and the consideration paid by the employee was expensed to profit or loss amounting to RMB14,000,000, with a corresponding increase in equity (other reserve).

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**COMBINED STATEMENTS OF CASH FLOWS**

|   | <b>Year ended 31 December</b> |                |                |                |
|---|-------------------------------|----------------|----------------|----------------|
|   | <b>NOTES</b>                  | <b>2012</b>    | <b>2013</b>    | <b>2014</b>    |
|   |                               | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| <b>OPERATING ACTIVITIES</b>   |                               |                |                |                |
| Profit before tax   |                               | 19,112         | 46,335         | 77,548         |
| Adjustments for:  |                               |                |                |                |
| Depreciation of property, plant and equipment   |                               | 1,608          | 2,009          | 4,563          |
| Amortisation of intangible assets   |                               | 23             | 56             | 56             |
| Impairment losses recognised on receivables   |                               | 6,314          | 7,982          | 16,459         |
| Share of results of joint ventures  |                               | —              | —              | 98             |
| Share of results of associates  |                               | —              | 424            | 670            |
| Loss on disposal of property, plant and equipment   |                               | 92             | 229            | 40             |
| Loss (gain) on disposal of subsidiaries   |                               | 2              | —              | (1,166)        |
| Loss on partial disposal of interest in a joint venture                                   |                               | —              | —              | 31             |
| Investment income on financial assets designated as at fair value through profit and loss |                               | (1,107)        | (556)          | (1,086)        |
| Bank interest income  |                               | (73)           | (65)           | (116)          |
| Finance costs   |                               | —              | —              | 5              |
| Operating cash flows before movements in working capital                                  |                               | 25,971         | 56,414         | 97,102         |
| Increase in trade and other receivables   |                               | (17,587)       | (30,898)       | (24,956)       |
| Increase in trade and other payables  |                               | 11,306         | 37,533         | 19,866         |
| Increase (decrease) in amount due to a related party                                      |                               | 85             | 153            | (166)          |
| Cash generated from operations  |                               | 19,775         | 63,202         | 91,846         |
| Income taxes paid   |                               | (3,628)        | (2,930)        | (16,809)       |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>   |                               | <b>16,147</b>  | <b>60,272</b>  | <b>75,037</b>  |

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**ACCOUNTANTS’ REPORT**

|   | NOTES | Year ended 31 December |                 |                 |
|---|-------|------------------------|-----------------|-----------------|
|   |       | 2012                   | 2013            | 2014            |
|   |       | RMB’000                | RMB’000         | RMB’000         |
| <b>INVESTING ACTIVITIES</b>   |       |                        |                 |                 |
| Advance to directors  |       | (9,184)                | (35,241)        | (27,512)        |
| Advance to a related party  |       | (950)                  | (565)           | —               |
| Purchase of property, plant and equipment   |       | (2,663)                | (6,368)         | (9,944)         |
| Purchase of financial assets designated as at fair value through profit and loss            |       | (41,000)               | (115,000)       | (159,190)       |
| Repayment from a related party  |       | 3,546                  | —               | 115             |
| Repayment from directors  |       | 2,000                  | 6,000           | 22,000          |
| Payment for acquisition of properties   |       | —                      | —               | (44,000)        |
| Redemption of financial assets designated as at fair value through profit and loss          |       | 37,920                 | 138,080         | 159,190         |
| Investment income from financial assets designated as at fair value through profit and loss |       | 1,107                  | 556             | 1,086           |
| Capital contributions to associates   |       | —                      | (10,200)        | (2,800)         |
| Proceeds received upon deregistration of interests in associates                            |       | —                      | —               | 9,106           |
| Capital contribution to joint ventures  |       | —                      | —               | (1,500)         |
| Purchase of additional interest in a joint venture  |       | —                      | —               | (300)           |
| Proceeds from partial disposal of interest in a joint venture                               |       | —                      | —               | 19              |
| Interest received   |       | 73                     | 65              | 116             |
| Proceeds from disposal of property, plant and equipment                                     |       | —                      | —               | 289             |
| Acquisition/deemed acquisition of subsidiaries  | 33    | 279                    | —               | 1,000           |
| Proceed from disposal of a subsidiary   | 34    | —                      | —               | (65)            |
| Repayment from non-controlling shareholders   |       | 691                    | —               | —               |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>  |       | <b>(8,181)</b>         | <b>(22,673)</b> | <b>(52,390)</b> |
| <b>FINANCING ACTIVITIES</b>   |       |                        |                 |                 |
| Repayment to related parties  |       | (6,524)                | (38)            | (1,275)         |
| Capital contribution from non-controlling interests   |       | —                      | 1,000           | —               |
| Distribution paid   |       | (10,000)               | —               | (12,500)        |
| New borrowing raised  |       | —                      | —               | 12,000          |
| <b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>   |       | <b>(16,524)</b>        | <b>962</b>      | <b>(1,775)</b>  |
| <b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>                                 |       | <b>(8,558)</b>         | <b>38,561</b>   | <b>20,872</b>   |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>                                   |       | <b>14,743</b>          | <b>6,185</b>    | <b>44,746</b>   |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR AND REPRESENTED BY</b>                      |       |                        |                 |                 |
| Bank balances and cash  |       | <u>6,185</u>           | <u>44,746</u>   | <u>65,618</u>   |

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## ACCOUNTANTS’ REPORT

### NOTES TO THE FINANCIAL INFORMATION

#### 1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Islands Companies Law on 5 January 2015. The addresses of the registered office and principal place of business of the Company are stated in the section “Corporate Information” of the [REDACTED].

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 and property management consulting services.

The Financial Information is presented in Renminbi (“RMB”), which is the same as the functional currency of the Company and the subsidiaries established in the PRC.

#### 2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Prior to the Reorganisation, Guangdong Zhong Ao and its subsidiaries are hold by Mr. Liu Jian, Ms. Chen Zhuo, Mr. Liang Bin and Mr. Long Weimin. As part of the Reorganisation, investment holding companies of Zhong Ao Holdings, Zhong Ao HK, Guangzhou Xuji and Guangzhou Suiya, and the Company were incorporated/established and being interposed between the ultimate individual equity owners and Guangdong Zhong Ao. Since then, the Company became the holding company of the companies now comprising the Group on 15 April 2015. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. All the entities comprising the Group were under the control of Mr. Liu Jian, Ms. Chen Zhuo, Mr. Liang Bin and Mr. Long Wemin, prior to and after the Reorganisation.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statement of cash flows of the Group for the Relevant Period which include the results, changes in equity and cash flows of the companies comprising the Group have been prepared as if the current group structure had been in existence throughout the Relevant Period, or since their respective dates of incorporation/establishment, where is a shorter period, except for the subsidiaries acquired by the Group and disposed of by the Group during the Relevant Period as disclosed in notes 33 and 34 respectively, which are included in the Financial Information since the date of acquisition or up to the date of disposal by the Group.

The combined statements of financial position of the Group as of 31 December 2012, 2013 and 2014 have been prepared to present the assets and liabilities of the companies now comprising the Group which had been in existence as at the respective reporting dates.

#### 3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (THE “HKFRSs”)

For the purpose of preparing and presenting the Financial Information for the Relevant Period, the Group has consistently applied the HKFRSs issued by the HKICPA that are effective for the Group’s annual accounting periods beginning on 1 January 2014 throughout the Relevant Period.

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At the date of this report, the HKICPA has issued the following new standards and amendments, which are not yet effective. The Group has not early applied these new standards and amendments.

|   |   |
|---|---|
| HKFRS 9   | Financial Instruments <sup>1</sup>  |
| HKFRS 14  | Regulatory Deferral Accounts <sup>2</sup>   |
| HKFRS 15  | Revenue from Contracts with Customers <sup>3</sup>  |
| Amendments to HKFRS 11                          | Accounting for Acquisitions of Interests in Joint Operations <sup>5</sup>                             |
| Amendments to HKAS 1                            | Disclosure Initiative <sup>5</sup>  |
| Amendments to HKAS 16<br>and HKAS 38            | Clarification of Acceptable Methods of and Depreciation and<br>Amortisation <sup>5</sup>              |
| Amendments to HKAS 16<br>and HKAS 41            | Agriculture: Bearer Plants <sup>5</sup>   |
| Amendments to HKAS 19                           | Defined Benefit Plans: Employee Contributions <sup>4</sup>  |
| Amendments to HKAS 27                           | Equity Method in Separate Financial Statements <sup>5</sup>   |
| Amendments to HKFRS 10<br>and HKAS 28           | Sale or Contribution of Assets between an Investor and its<br>Associate or Joint Venture <sup>5</sup> |
| Amendments to HKFRS 10,<br>HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception <sup>5</sup>                                |
| Amendments to HKFRSs                            | Annual Improvements to HKFRSs 2010–2012 Cycle <sup>6</sup>  |
| Amendments to HKFRSs                            | Annual Improvements to HKFRSs 2011–2013 Cycle <sup>4</sup>  |
| Amendments to HKFRSs                            | Annual Improvements to HKFRSs 2012–2014 Cycle <sup>5</sup>  |

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

3 Effective for annual periods beginning on or after 1 January 2017

4 Effective for annual periods beginning on or after 1 July 2014

5 Effective for annual periods beginning on or after 1 January 2016

6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

### HKFRS 9 “Financial Instruments”

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are relevant to the Group are:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised 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 amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting



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contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value 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 recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The management of the Group anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group’s financial assets. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group undertakes a detailed review.

### **HKFRS 15 “Revenue from Contracts with Customers”**

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

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The management of the Group anticipates that the application of HKFRS 15 in the future may affect the amounts reported and related disclosures. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except for the above impact, the management of the Group do not anticipate that the application of above new standards and amendments will have significant impact on the Group’s Financial Information.

### 4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the following accounting policies which conform with 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 of Hong Kong Limited and by the Hong Kong Companies Ordinance which for the Relevant Period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in the sections 76 to 87 of Schedule 11 of that Ordinance.

The Financial Information has been prepared on the historical cost basis except for 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 purpose in this Financial Information is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets.”

In addition, for financial reporting purpose, fair value measurement are categorised into Level 1, 2 and 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.

The principal accounting policies are set out below.

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### Basis of combination

The Financial Information incorporates the financial information of the Company and entities controlled by the Company (including structured entities). 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.

Combination 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 combined statements of profit or loss and other comprehensive income from the date the Company gains control 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 into line with those used by other members of the Group.

All intra-group assets, liabilities, equity, income and expenses, and cash flows relating to the transactions among the members of the Group are eliminated in full on combination.

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 recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised 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 recognised 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

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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.

### Business combinations

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 recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised 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 recognised 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 recognised 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 recognised 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 combined statement 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.

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A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently 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 recognised directly in profit or loss in the combined statements of profit or loss and other comprehensive income. An impairment loss recognised 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.

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

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised 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 amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives (see the accounting policy in respect of impairment on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

### **Interests in associates and joint ventures**

An associate is an entity over which the Group has significant influence. 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 arrangement. 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 associates and joint venture are incorporated in this Financial Information using the equity method of accounting. The financial statements of associates and joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investments in associates or a joint venture are initially recognised in the combined statements of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates or joint venture. When the Group's share of losses of an

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associate or 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 or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the 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 recognised 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 and liabilities over the cost of the investment, after reassessment, is recognised 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 recognise 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 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Financial Information only to the extent of interests in associates or a joint venture that are not related to the Group.

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### Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment 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.

An item of property, plant and equipment is derecognised 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 recognised in profit or loss.

### 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 lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

#### *Leasehold land and building*

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

### Revenue recognition

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

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### *Property management services under lump sum basis and property management services under commission basis*

The Group charged property management fees in respect of the property management services on a lump sum basis and on a commission basis. Revenue is recognised when services are provided.

On a lump sum basis, the Group are entitled to retain the full amount of received property management fees. From the property management fees, the Group shall bear expenses associated with, among others, staff, cleaning, garbage disposal, gardening and landscaping, security and general overheads covering the common areas. During the term of the contract, if the amount of property management fees the Group collected is not sufficient to cover all the expenses incurred, the Group is not entitled to request the property owners to pay the shortfall.

Accordingly, on a lump sum basis, the Group recognises as revenue the full amount of property management fees the Group charged to the property owners when services are provided, and recognises the expenses as costs of services the Group incurred in connection with performing our services.

On a commission basis, the Group is entitled to only a pre-determined percentage of the property management fees the property owners are obligated to pay. The remainder of the management fee is used as property management working capital to cover the property management expenses associated with the 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 the statement of financial position. In the event of a shortfall of working capital to pay for the relevant property management expenses, the Group may need to make up for the shortfall and pay on behalf of the community management offices first, with a right to recovering from the residents subsequently.

On a commission basis, the Group essentially acts as an agent of the property owners and accordingly, the Group only recognises as its revenue the pre-determined percentage of property management fees when services are provided.

### *Ancillary services income, consulting services income and sale assistance services income*

Related services income are recognised when related services are rendered.

### *Interest income*

Interest income from a financial asset is recognised 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.

### **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



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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 recognised in profit or loss in the period in which they arise.

**Government grants**

Government grants are not recognised 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 recognised in profit or loss on a systematic basis over the periods in which the Group recognises 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 recognised in profit or loss in the period in which they become receivable.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily taken 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 recognised in profit or loss in the period in which they are incurred.

**Retirement benefit costs**

Payments to state-managed retirement benefit scheme are recognised 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 combined 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 recognised 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 recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences

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can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from Goodwill or 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 recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements 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 and interests are only recognised 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 realised, 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.

Current and deferred tax is recognised 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.

### **Financial instruments**

Financial assets and financial liabilities are recognised in the combined 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 those classified as fair value through profit and loss ("FVTPL"), 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 FVTPL loss are recognised immediately in profit or loss.

### ***Financial assets***

The Group's financial assets are generally classified as loans and receivables and financial assets at FVTPL. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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### *Financial assets at FVTPL*

Financial assets at FVTPL of the Group 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 combined 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 recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes 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, amounts due from directors, amount due from a related party and bank balances and cash) are carried at amortised 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 amortised 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 form 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 recognised on an effective interest basis for debt instruments.

### *Impairment loss of financial assets*

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;

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- 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-organisation.

For certain categories of financial asset, such as trade receivables, 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 amortised cost, the amount of the impairment loss recognised 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 and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is 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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the amortised cost would have been had the impairment not been recognised.

### *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 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 entities are recorded at the proceeds received, net of direct issue costs.

#### *Financial liabilities*

Financial liabilities, including trade and other payables, borrowing and amounts due to related parties are measured at amortised cost, using the effective interest method.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised 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 (including all fees and points paid or received that

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form an integral part of the effective interest rate, transaction costs and other premiums or discounts) 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 recognised on an effective interest basis.

### *Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire and when it substantially transfers 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 is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### **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 of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset 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 recognised 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 recognised for the asset in prior years. A reversal of an impairment loss is recognised 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 Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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 assumption 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 and liabilities within the next financial year.

*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 31 December 2012, 2013 and 2014, the carrying amounts of the Group's trade receivables are RMB31,480,000, RMB53,338,000 and RMB57,933,000 respectively net of allowance of RMB8,742,000, RMB15,275,000 and RMB29,127,000, 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. These estimates are 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. These estimates may change in the future that may increase depreciation charge where useful lives are less than previously estimates. The carrying amounts of property, plant and equipment at 31 December 2012, 2013 and 2014 were RMB11,863,000, RMB15,993,000 and RMB21,121,000, respectively.

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### 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 maximising the return to shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged throughout the Relevant Period.

The capital structure of the Group consists of borrowing, amounts due to related parties, net of bank balances and cash and equity attributable to owners of the Company comprising paid-in capital and reserves as disclosed in the Financial Information.

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 raising new capital and distributions paid as well as the issue of new debts or the redemption of existing debt.

### 7. FINANCIAL INSTRUMENTS

#### a. Categories of financial instruments

|   | <u>At 31 December</u> |                |                |
|---|-----------------------|----------------|----------------|
|   | <u>2012</u>           | <u>2013</u>    | <u>2014</u>    |
|   | <i>RMB’000</i>        | <i>RMB’000</i> | <i>RMB’000</i> |
| <b>Financial assets</b>                                     |                       |                |                |
| Loans and receivables (including cash and cash equivalents) | 72,409                | 163,395        | 198,242        |
| Financial assets designated as at FVTPL                     | <u>23,080</u>         | <u>—</u>       | <u>—</u>       |
| <b>Financial liabilities</b>                                |                       |                |                |
| Amortised cost  | <u>61,402</u>         | <u>98,309</u>  | <u>122,200</u> |

#### b. Financial risk management objectives and policies

The Group’s financial instruments include trade and other receivables, financial assets designated as at FVTPL, amounts due from directors, amount due from a related party, bank balances and cash, trade and other payables, borrowing and amounts due to related parties. 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 analyses 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 and remained unchanged during the Relevant Period. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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### *Market risk*

#### *Interest rate risk*

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and variable-rate bank borrowings.

The Group currently does not use any derivative contracts to hedge its bank borrowing to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group’s exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this notes. The Group’s cash flow interest rate risk is concentrated on the fluctuation of the Benchmark Borrowing Rate of the People’s Bank of China (“Benchmark Rate”).

#### Sensitivity analysis

##### Bank balances

The management considered that interest rate risk of bank balances is insignificant.

##### Variable-rate bank borrowing

The sensitivity analysis below has been determined based on the exposure to interest rates for the variable-rate bank borrowing at the end of the reporting period. A 50 basis points increase or decrease is used when reporting interest rate internally to key management personnel and represents management’s assessment of the reasonably possible change of interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group’s post-tax profit for the years ended 31 December 2012, 2013 and 2014 would decrease/increase by approximately nil, nil and RMB45,000.

### *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 recognised financial assets as stated in the combined statements of financial position at the end of each reporting period.

In order to minimise 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 management of the Group 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, who are residents in the residential communities managed by the Group under lump sum basis. However, the Group had concentration of credit risk in respective of amounts due from directors and amount due from a related party. The details are disclosed in notes 25 and 26,



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respectively. The management of the Group considered that the credit risk of amounts due from directors and amount due from a related party is insignificant after considering the credit quality and financial resources of these counterparties.

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.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

**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.

*Liquidity and interest risk tables*

The following tables detail the Group’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 can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

|                                | Weighted<br>average<br>effective<br>interest rate | Repayable<br>on demand | Less than<br>3 months | 3 months<br>to 1 year | 1-5 years      | Total<br>undiscounted<br>cash flows | Carrying<br>amount |
|--------------------------------|---|------------------------|-----------------------|-----------------------|----------------|-------------------------------------|--------------------|
|                                |   | <i>RMB’000</i>         | <i>RMB’000</i>        | <i>RMB’000</i>        | <i>RMB’000</i> | <i>RMB’000</i>                      | <i>RMB’000</i>     |
| <i>As at 31 December 2012</i>  |   |                        |                       |                       |                |                                     |                    |
| Trade and other payables       | —   | 3,929                  | 56,075                | —                     | —              | 60,004                              | 60,004             |
| Amounts due to related parties | —   | 1,313                  | 85                    | —                     | —              | 1,398                               | 1,398              |
|                                |   | <u>5,242</u>           | <u>56,160</u>         | <u>—</u>              | <u>—</u>       | <u>61,402</u>                       | <u>61,402</u>      |
| <i>As at 31 December 2013</i>  |   |                        |                       |                       |                |                                     |                    |
| Trade and other payables       | —   | 6,845                  | 89,951                | —                     | —              | 96,796                              | 96,796             |
| Amounts due to related parties | —   | 1,275                  | 238                   | —                     | —              | 1,513                               | 1,513              |
|                                |   | <u>8,120</u>           | <u>90,189</u>         | <u>—</u>              | <u>—</u>       | <u>98,309</u>                       | <u>98,309</u>      |
| <i>As at 31 December 2014</i>  |   |                        |                       |                       |                |                                     |                    |
| Trade and other payables       | —   | 10,795                 | 99,333                | —                     | —              | 110,128                             | 110,128            |
| Amounts due to related parties | —   | —                      | 72                    | —                     | —              | 72                                  | 72                 |
| Borrowing                      | 6.9%  | —                      | 800                   | 2,952                 | 10,391         | 14,143                              | 12,000             |
|                                |   | <u>10,795</u>          | <u>100,205</u>        | <u>2,952</u>          | <u>10,391</u>  | <u>124,343</u>                      | <u>122,200</u>     |

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The amounts included above for variable interest rate financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

**c. Fair value**

*Fair value of the Group’s financial asset that is measured at fair value on a recurring basis*

The following table gives information about how the fair value of the financial asset is 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.

|   | <b>Fair value as at 31 December</b> |                |                | <b>Fair value hierarchy</b> |
|---|-------------------------------------|----------------|----------------|-----------------------------|
|   | <b>2012</b>                         | <b>2013</b>    | <b>2014</b>    |                             |
|   | <i>RMB’000</i>                      | <i>RMB’000</i> | <i>RMB’000</i> |                             |
| Financial assets designated as at FVTPL | <u>23,080</u>                       | <u>—</u>       | <u>—</u>       | Level 3                     |

For the valuation of structured deposits classified as financial assets designated as 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 management of the Group consider that the impact of the fluctuation in expected yields of the debt instruments and treasury notes to the fair value of the structured deposits was insignificant as the deposits have short maturities, and therefore no sensitivity analysis is presented.

*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 amortised 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 amortised cost in the Financial Information approximate to their fair value.

**8. REVENUE AND SEGMENT INFORMATION**

The segment information reported internally was analysed on the basis of geographical zones of services rendered in the PRC, representing Southern Region, Middle and Eastern Region and Northern Region which is consistent with the internal information that are regularly reviewed by the management of the Group, the chief operating decision maker, for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group by geography. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

- Southern Region includes the cities of Guangzhou, Nanning, Shunde, Sanya, Foshan, Chengmai, Zhongshan, Dongguan, Jiangmen, Qingyuan, Zhaoqing, Guilin and Zhuhai.
- Middle and Eastern Region includes the cities of Hangzhou, Shangyu, Suzhou, Chongqing, Ningbo, Jiangyin, Jiaxing, Nantong, Yuhang, Shaoxing, Kunshan, Haiyan, Haining, Quzhou, Zhuji, Nanchang, Zhangjiagang, Changshu, Shanghai, Wuxi, Taicang, Yixing, Nanjing, Jinggang, Jiande, Guangde, Xuancheng, Changxing and Fuzhou.
- Northern Region includes the cities of Baotou, Eérdousi, Dalian, Tangshan, Qingdao, Zibo, Beijing and Shenyang.

The accounting policies of the reportable and operating segments are the same as the Group’s accounting policies described in note 4. Segment result represents the profit earned by each segment without allocation of central administration costs, bank interest income, investment income on financial assets designated as at FVTPL, gain (loss) on disposal of subsidiaries, share of results of associates and joint ventures, [REDACTED] and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

No analysis of segment assets and segment liabilities is presented as these information are not regularly provided to the chief operating decision maker for review.

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**Segment revenues and results**

The following is an analysis of the Group’s revenue and results by operating and reportable segment.

|   | <b>Southern<br/>Region</b> | <b>Middle and<br/>Eastern<br/>Region</b> | <b>Northern<br/>Region</b> | <b>Total</b>   |
|---|----------------------------|--|----------------------------|----------------|
|   | <i>RMB’000</i>             | <i>RMB’000</i>                           | <i>RMB’000</i>             | <i>RMB’000</i> |
| Year ended 31 December 2012                                     |                            |  |                            |                |
| Segment revenue   | <u>80,842</u>              | <u>102,902</u>                           | <u>13,705</u>              | <u>197,449</u> |
| Segment results   | <u>12,894</u>              | <u>15,709</u>                            | <u>1,994</u>               | 30,597         |
| Bank interest income  |                            |  |                            | 73             |
| Investment income on financial assets<br>designated as at FVTPL |                            |  |                            | 1,107          |
| Central administrative costs                                    |                            |  |                            | (12,663)       |
| Loss on disposal of a subsidiary                                |                            |  |                            | <u>(2)</u>     |
| Profit before tax   |                            |  |                            | <u>19,112</u>  |
| Year ended 31 December 2013                                     |                            |  |                            |                |
| Segment revenue   | <u>124,226</u>             | <u>148,372</u>                           | <u>17,678</u>              | <u>290,276</u> |
| Segment results   | <u>28,736</u>              | <u>31,036</u>                            | <u>3,159</u>               | 62,931         |
| Bank interest income  |                            |  |                            | 65             |
| Investment income on financial assets<br>designated as at FVTPL |                            |  |                            | 556            |
| Central administrative costs                                    |                            |  |                            | (16,793)       |
| Share of results of associates                                  |                            |  |                            | <u>(424)</u>   |
| Profit before tax   |                            |  |                            | <u>46,335</u>  |

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|   | <b>Southern<br/>Region</b> | <b>Middle and<br/>Eastern<br/>Region</b> | <b>Northern<br/>Region</b> | <b>Total</b>   |
|---|----------------------------|--|----------------------------|----------------|
|   | <i>RMB’000</i>             | <i>RMB’000</i>                           | <i>RMB’000</i>             | <i>RMB’000</i> |
| Year ended 31 December 2014                                     |                            |  |                            |                |
| Segment revenue   | <u>158,981</u>             | <u>178,291</u>                           | <u>23,930</u>              | <u>361,202</u> |
| Segment results   | <u>45,443</u>              | <u>47,473</u>                            | <u>5,713</u>               | 98,629         |
| Bank interest income  |                            |  |                            | 116            |
| Investment income on financial assets<br>designated as at FVTPL |                            |  |                            | 1,086          |
| Central administrative costs                                    |                            |  |                            | (18,696)       |
| Gain on disposal of subsidiaries                                |                            |  |                            | 1,166          |
| Share of results of associates                                  |                            |  |                            | (670)          |
| Share of results of joint ventures                              |                            |  |                            | (98)           |
| [REDACTED]  |                            |  |                            | [REDACTED]     |
| Finance costs   |                            |  |                            | <u>(5)</u>     |
| Profit before tax   |                            |  |                            | <u>77,548</u>  |

**Other segment information**

|  | <b>Southern<br/>Region</b> | <b>Middle and<br/>Eastern<br/>Region</b> | <b>Northern<br/>Region</b> | <b>Total</b>   |
|--|----------------------------|--|----------------------------|----------------|
|  | <i>RMB’000</i>             | <i>RMB’000</i>                           | <i>RMB’000</i>             | <i>RMB’000</i> |
| Year ended 31 December 2012  |                            |  |                            |                |
| Segment information included in the<br>measure of segment results: |                            |  |                            |                |
| Depreciation of property, plant and<br>equipment                   | 1,048                      | 450                                      | 110                        | 1,608          |
| Amortisation of intangible assets                                  | —                          | 23                                       | —                          | 23             |
| Loss on disposal of property, plant<br>and equipment               | 70                         | 20                                       | 2                          | 92             |
| Impairment loss recognised on trade<br>receivables                 | 582                        | 4,695                                    | 632                        | 5,909          |
| Impairment loss recognised on other<br>receivables                 | <u>405</u>                 | <u>—</u>                                 | <u>—</u>                   | <u>405</u>     |

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**ACCOUNTANTS’ REPORT**

|   | <b>Southern<br/>Region</b> | <b>Middle and<br/>Eastern<br/>Region</b> | <b>Northern<br/>Region</b> | <b>Total</b>   |
|---|----------------------------|--|----------------------------|----------------|
|   | <i>RMB’000</i>             | <i>RMB’000</i>                           | <i>RMB’000</i>             | <i>RMB’000</i> |
| Year ended 31 December 2013                                     |                            |  |                            |                |
| Segment information included in the measure of segment results: |                            |  |                            |                |
| Depreciation of property, plant and equipment                   | 1,330                      | 572                                      | 107                        | 2,009          |
| Amortisation of intangible assets                               | —                          | 56                                       | —                          | 56             |
| Loss on disposal of property, plant and equipment               | 140                        | 89                                       | —                          | 229            |
| Impairment loss recognised on trade receivables                 | 814                        | 4,813                                    | 906                        | 6,533          |
| Impairment loss recognised on other receivables                 | <u>1,053</u>               | <u>396</u>                               | <u>—</u>                   | <u>1,449</u>   |
| Year ended 31 December 2014                                     |                            |  |                            |                |
| Segment information included in the measure of segment results: |                            |  |                            |                |
| Depreciation of property, plant and equipment                   | 3,697                      | 742                                      | 124                        | 4,563          |
| Amortisation of intangible assets                               | —                          | 56                                       | —                          | 56             |
| Loss on disposal of property, plant and equipment               | —                          | 40                                       | —                          | 40             |
| Impairment loss recognised on trade receivables                 | 5,061                      | 7,013                                    | 1,778                      | 13,852         |
| Impairment loss recognised on other receivables                 | <u>1,247</u>               | <u>814</u>                               | <u>546</u>                 | <u>2,607</u>   |

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### Revenue from major services

|  | <b>Year ended 31 December</b> |                       |                       |
|--|-------------------------------|-----------------------|-----------------------|
|  | <b>2012</b>                   | <b>2013</b>           | <b>2014</b>           |
|  | <i>RMB’000</i>                | <i>RMB’000</i>        | <i>RMB’000</i>        |
| Property management services income under lump sum basis       | 148,869                       | 223,082               | 268,421               |
| Property management services income under commission basis     | —                             | 481                   | 362                   |
| Ancillary services income                                      | 12,463                        | 14,405                | 23,410                |
| Consulting services income                                     | 1,378                         | 588                   | 667                   |
| Sale assistance services income under lump sum basis<br>(note) | <u>34,739</u>                 | <u>51,720</u>         | <u>68,342</u>         |
|  | <u><u>197,449</u></u>         | <u><u>290,276</u></u> | <u><u>361,202</u></u> |

*Note:* Such amounts represent property management service income from property developers for their sales centres.

### Geographical information

The Group’s revenue from external customers is derived solely from its operations and services rendered in the PRC, and non-current assets of the Group are located in the PRC by location of assets.

### Information about major customers

During the years ended 31 December 2012, 2013 and 2014, there was no revenue from transactions with a single external customer amounted to 10% or more of the Group’s total revenue.

## 9. OTHER INCOME

|  | <b>Year ended 31 December</b> |                     |                     |
|--|-------------------------------|---------------------|---------------------|
|  | <b>2012</b>                   | <b>2013</b>         | <b>2014</b>         |
|  | <i>RMB’000</i>                | <i>RMB’000</i>      | <i>RMB’000</i>      |
| Bank interest income   | 73                            | 65                  | 116                 |
| Unconditional government grants                              | 1,984                         | 192                 | 1,795               |
| Penalty income (note)  | 1,330                         | 668                 | 158                 |
| Investment income on financial assets designated as at FVTPL | <u>1,107</u>                  | <u>556</u>          | <u>1,086</u>        |
|  | <u><u>4,494</u></u>           | <u><u>1,481</u></u> | <u><u>3,155</u></u> |

*Note:* The amount mainly represents penalty income received/receivable from property developers to compensate the loss arising from termination of contract.

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**10. OTHER GAINS AND LOSSES**

|   | <b>Year ended 31 December</b> |                |                 |
|---|-------------------------------|----------------|-----------------|
|   | <b>2012</b>                   | <b>2013</b>    | <b>2014</b>     |
|   | <i>RMB’000</i>                | <i>RMB’000</i> | <i>RMB’000</i>  |
| Impairment loss recognised on trade receivables         | (5,909)                       | (6,533)        | (13,852)        |
| Impairment loss recognised on other receivables         | (405)                         | (1,449)        | (2,607)         |
| Loss on disposal of property, plant and equipment       | (92)                          | (229)          | (40)            |
| Loss on partial disposal of interest in a joint venture | —                             | —              | (31)            |
| (Loss) gain on disposal of subsidiaries (note 34)       | (2)                           | —              | 1,166           |
| Others  | 236                           | (1,170)        | (964)           |
|   | <u>(6,172)</u>                | <u>(9,381)</u> | <u>(16,328)</u> |

**11. FINANCE COSTS**

The balance represents the interest on bank borrowing wholly repayable within five years.

**12. INCOME TAX EXPENSE**

|                                   | <b>Year ended 31 December</b> |                |                |
|-----------------------------------|-------------------------------|----------------|----------------|
|                                   | <b>2012</b>                   | <b>2013</b>    | <b>2014</b>    |
|                                   | <i>RMB’000</i>                | <i>RMB’000</i> | <i>RMB’000</i> |
| Current tax                       |                               |                |                |
| PRC Enterprise Income Tax (“EIT”) | 7,794                         | 14,898         | 25,113         |
| Deferred tax (note 23)            |                               |                |                |
| Current year                      | (1,478)                       | (1,633)        | (3,463)        |
|                                   | <u>6,316</u>                  | <u>13,265</u>  | <u>21,650</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 Relevant 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%.



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

|  | <b>Year ended 31 December</b> |                |                |
|--|-------------------------------|----------------|----------------|
|  | <b>2012</b>                   | <b>2013</b>    | <b>2014</b>    |
|  | <i>RMB’000</i>                | <i>RMB’000</i> | <i>RMB’000</i> |
| Profit before tax  | <u>19,112</u>                 | <u>46,335</u>  | <u>77,548</u>  |
| Tax at the PRC EIT rate of 25%                                   | 4,778                         | 11,584         | 19,387         |
| Tax effect of share of results of associates                     | —                             | 106            | 168            |
| Tax effect of share of results of joint ventures                 | —                             | —              | 25             |
| Tax effect of expenses not deductible for tax purpose<br>(note)  | 1,437                         | 1,532          | 1,464          |
| Tax effect of deductible temporary differences not<br>recognised | 101                           | 362            | 652            |
| Tax effect of tax losses not recognised                          | —                             | —              | 137            |
| Utilisation of tax losses previously not recognised              | <u>—</u>                      | <u>(319)</u>   | <u>(183)</u>   |
| Income tax expense   | <u>6,316</u>                  | <u>13,265</u>  | <u>21,650</u>  |

*Note:* During the years ended 31 December 2012, 2013 and 2014, expenses not deductible mainly included welfare and entertainment expenses exceeding the tax deduction limits mainly under the EIT Law and listing expenses.

**13. DIRECTORS’, CHIEF EXECUTIVE’S AND EMPLOYEES’ EMOLUMENTS**

Details of the emoluments paid/payable to the employees of the Group during the Relevant Period who would be appointed as the directors and the chief executive of the Company are as follow:

|  | <b>Year ended 31 December</b> |                |                |
|--|-------------------------------|----------------|----------------|
|  | <b>2012</b>                   | <b>2013</b>    | <b>2014</b>    |
|  | <i>RMB’000</i>                | <i>RMB’000</i> | <i>RMB’000</i> |
| Directors’ fee                               | —                             | —              | —              |
| Other emoluments                             |                               |                |                |
| — salaries and other benefits                | 888                           | 888            | 897            |
| — discretionary bonus                        | 156                           | 200            | 212            |
| — contributions to retirement benefit scheme | <u>24</u>                     | <u>28</u>      | <u>28</u>      |
|  | <u>1,068</u>                  | <u>1,116</u>   | <u>1,137</u>   |

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|                             | <u>Fee</u>     | <u>Salaries and<br/>other benefit</u> | <u>Discretionary<br/>Bonus</u>  | <u>Contributions<br/>to retirement<br/>benefit<br/>scheme</u> | <u>Total</u>   |
|-----------------------------|----------------|---------------------------------------|---------------------------------|---|----------------|
|                             | <i>RMB'000</i> | <i>RMB'000</i>                        | <i>RMB'000</i><br><i>(note)</i> | <i>RMB'000</i>  | <i>RMB'000</i> |
| Year ended 31 December 2012 |                |                                       |                                 |   |                |
| Executive directors         |                |                                       |                                 |   |                |
| Mr. Liu Jian                | —              | 240                                   | 30                              | 6   | 276            |
| Ms. Chen Zhuo               | —              | 216                                   | 42                              | 6   | 264            |
| Mr. Liang Bin               | —              | 216                                   | 42                              | 6   | 264            |
| Mr. Long Weimin             | —              | 216                                   | 42                              | 6   | 264            |
|                             | <u>—</u>       | <u>888</u>                            | <u>156</u>                      | <u>24</u>   | <u>1,068</u>   |
| Year ended 31 December 2013 |                |                                       |                                 |   |                |
| Executive directors         |                |                                       |                                 |   |                |
| Mr. Liu Jian                | —              | 240                                   | 50                              | 7   | 297            |
| Ms. Chen Zhuo               | —              | 216                                   | 50                              | 7   | 273            |
| Mr. Liang Bin               | —              | 216                                   | 50                              | 7   | 273            |
| Mr. Long Weimin             | —              | 216                                   | 50                              | 7   | 273            |
|                             | <u>—</u>       | <u>888</u>                            | <u>200</u>                      | <u>28</u>   | <u>1,116</u>   |
| Year ended 31 December 2014 |                |                                       |                                 |   |                |
| Executive directors         |                |                                       |                                 |   |                |
| Mr. Liu Jian                | —              | 243                                   | 53                              | 7   | 303            |
| Ms. Chen Zhuo               | —              | 218                                   | 53                              | 7   | 278            |
| Mr. Liang Bin               | —              | 218                                   | 53                              | 7   | 278            |
| Mr. Long Weimin             | —              | 218                                   | 53                              | 7   | 278            |
|                             | <u>—</u>       | <u>897</u>                            | <u>212</u>                      | <u>28</u>   | <u>1,137</u>   |

*Note:* The discretionary bonus is determined based on the financial results of Guangdong Zhong Ao for the Relevant Period.

Mr. Liu Jian is the chief executive of the Group, and his emoluments disclosed above include those for services rendered by him as chief executive during the Relevant Period.

The five highest paid individuals of the Group included 3 directors for each of the years ended 31 December 2012, 2013 and 2014. The remunerations of the remaining 2 individuals for the years ended 31 December 2012, 2013 and 2014, which were individually less than HK\$1,000,000, are set out below:

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|  | <b>Year ended 31 December</b> |                |                |
|--|-------------------------------|----------------|----------------|
|  | <b>2012</b>                   | <b>2013</b>    | <b>2014</b>    |
|  | <i>RMB’000</i>                | <i>RMB’000</i> | <i>RMB’000</i> |
| Salaries and other benefits                | 401                           | 681            | 555            |
| Discretionary bonus                        | 84                            | 100            | 110            |
| Contributions to retirement benefit scheme | <u>12</u>                     | <u>14</u>      | <u>14</u>      |
|  | <u>497</u>                    | <u>795</u>     | <u>679</u>     |

During the Relevant Period, no emoluments were paid by the Group to any of the directors 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 Relevant Period.

**14. PROFIT FOR THE YEAR**

|  | <b>Year ended 31 December</b> |                |                |
|--|-------------------------------|----------------|----------------|
|  | <b>2012</b>                   | <b>2013</b>    | <b>2014</b>    |
|  | <i>RMB’000</i>                | <i>RMB’000</i> | <i>RMB’000</i> |
| Profit has been arrived at after charging:               |                               |                |                |
| Directors’ emoluments (note 13)                          | 1,068                         | 1,116          | 1,137          |
| Other staff’s salaries and other benefits                | 109,189                       | 143,655        | 156,536        |
| Other staff’s contributions to retirement benefit scheme | <u>7,911</u>                  | <u>7,992</u>   | <u>9,244</u>   |
| Total staff costs  | <u>118,168</u>                | <u>152,763</u> | <u>166,917</u> |
| Auditors’ remuneration                                   | 370                           | 73             | 93             |
| Depreciation for property, plant and equipment           | 1,608                         | 2,009          | 4,563          |
| Amortisation of intangible assets                        | <u>23</u>                     | <u>56</u>      | <u>56</u>      |

**15. DISTRIBUTIONS**

Dividends of RMB10,000,000, nil and RMB12,500,000 has been distributed by Guangdong Zhong Ao to its then equity interest holders during the years ended 31 December 2012, 2013 and 2014, respectively. The rates of distribution are not presented as such information is not meaningful for the purpose of this report.

**16. EARNINGS PER SHARE**

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for the Relevant Period on a combined basis as described in Note 2.

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**17. PROPERTY, PLANT AND EQUIPMENT**

|                                     | <b>Leasehold<br/>land and<br/>buildings</b> | <b>Leasehold<br/>improvement</b> | <b>Furniture,<br/>fixtures and<br/>equipment</b> | <b>Motor<br/>vehicles</b> | <b>Total</b>   |
|-------------------------------------|---|----------------------------------|--|---------------------------|----------------|
|                                     | <i>RMB'000</i>                              | <i>RMB'000</i>                   | <i>RMB'000</i>                                   | <i>RMB'000</i>            | <i>RMB'000</i> |
| <b>COST</b>                         |   |                                  |  |                           |                |
| At 1 January 2012                   | 5,418                                       | 732                              | 3,987  | 2,471                     | 12,608         |
| Additions                           | —   | —                                | 1,048  | 1,615                     | 2,663          |
| Acquisition of subsidiary (note 33) | —   | —                                | 46   | —                         | 46             |
| Disposals                           | —   | —                                | (201)  | —                         | (201)          |
| At 31 December 2012                 | 5,418                                       | 732                              | 4,880  | 4,086                     | 15,116         |
| Additions                           | —   | 265                              | 5,182  | 921                       | 6,368          |
| Disposals                           | —   | —                                | (43)   | (213)                     | (256)          |
| At 31 December 2013                 | 5,418                                       | 997                              | 10,019   | 4,794                     | 21,228         |
| Additions                           | 2,549                                       | 200                              | 4,096  | 3,175                     | 10,020         |
| Disposals                           | —   | —                                | (11)   | (651)                     | (662)          |
| At 31 December 2014                 | 7,967                                       | 1,197                            | 14,104   | 7,318                     | 30,586         |
| <b>DEPRECIATION</b>                 |   |                                  |  |                           |                |
| At 1 January 2012                   | 55  | 70                               | 1,284  | 345                       | 1,754          |
| Provided for the year               | 83  | 192                              | 1,003  | 330                       | 1,608          |
| Eliminated on disposals             | —   | —                                | (109)  | —                         | (109)          |
| At 31 December 2012                 | 138   | 262                              | 2,178  | 675                       | 3,253          |
| Provided for the year               | 114   | 192                              | 1,234  | 469                       | 2,009          |
| Eliminated on disposals             | —   | —                                | (8)  | (19)                      | (27)           |
| At 31 December 2013                 | 252   | 454                              | 3,404  | 1,125                     | 5,235          |
| Provided for the year               | 514   | 732                              | 2,249  | 1,068                     | 4,563          |
| Eliminated on disposals             | —   | —                                | (3)  | (330)                     | (333)          |
| At 31 December 2014                 | 766   | 1,186                            | 5,650  | 1,863                     | 9,465          |
| <b>CARRYING VALUES</b>              |   |                                  |  |                           |                |
| At 31 December 2012                 | <u>5,280</u>                                | <u>470</u>                       | <u>2,702</u>                                     | <u>3,411</u>              | <u>11,863</u>  |
| At 31 December 2013                 | <u>5,166</u>                                | <u>543</u>                       | <u>6,615</u>                                     | <u>3,669</u>              | <u>15,993</u>  |
| At 31 December 2014                 | <u>7,201</u>                                | <u>11</u>                        | <u>8,454</u>                                     | <u>5,455</u>              | <u>21,121</u>  |

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The property certificate of a building amounting to RMB429,000 was in progress as at 31 December 2014 and is expected to be obtained during year ended 31 December 2015.

The above items of property, plant and equipment are depreciated on a straight-line basis at the following period:

|                                   |                                    |
|-----------------------------------|------------------------------------|
| Leasehold land and buildings      | Over the term of lease of 20 years |
| Leasehold improvement             | 3–5 years                          |
| Furniture, fixtures and equipment | 3–5 years                          |
| Motor vehicles                    | 5–10 years                         |

The leasehold land and buildings are situated outside Hong Kong under long-term lease.

### 18. PAYMENT FOR ACQUISITION OF PROPERTIES

During the year ended 31 December 2014, the Group has made payment of RMB44,000,000 in relation to the acquisition of properties situated in Hangzhou, PRC to an independent property developer.

At the date of this report, the acquisition of the properties has not been completed.

### 19. INTERESTS IN ASSOCIATES

|  | At 31 December |         |         |
|--|----------------|---------|---------|
|  | 2012           | 2013    | 2014    |
|  | RMB’000        | RMB’000 | RMB’000 |
| Cost of investment, unlisted                                 | —              | 10,200  | —       |
| Share of post-acquisition results, net of dividends received | —              | (424)   | —       |
|  | —              | 9,776   | —       |

The Group’s interests in associates are as follows:

| Name of entity  | Place of establishment | Date of establishment | Registered capital<br>RMB | Proportion of ownership interest held by |                |               |                            | Principal activity                  |
|---|------------------------|-----------------------|---------------------------|--|----------------|---------------|----------------------------|-------------------------------------|
|   |                        |                       |                           | At 31 December                           |                |               | At the date of this report |                                     |
|   |                        |                       |                           | 2012                                     | 2013           | 2014          |                            |                                     |
|   |                        |                       |                           | %  | %              | %             |                            |                                     |
| Enshi Jikang International Cultural Tourism and Health Industry Development Company Limited *<br>(恩施吉康國際文化旅遊養生產業基地開發有限公司) (“Enshi Tourism”) | PRC                    | 7 June 2013           | 20,000                    | N/A                                      | 34<br>(Note a) | —<br>(Note b) | —                          | Provision of tourism service        |
| Enshi Jikang Lianzhu Tower Scenic Spot Development Company Limited *<br>(恩施吉康連珠塔風景區開發有限公司) (“Enshi Development”)                            | PRC                    | 7 June 2013           | 10,000                    | N/A                                      | 34<br>(Note a) | —<br>(Note b) | —                          | Provision of tourism service        |
| Guangzhou Aoye Sport Company Limited *<br>(廣州奧業體育有限公司) (“Guangzhou Sport”)  | PRC                    | 6 May 2014            | 7,000                     | N/A                                      | N/A            | —<br>(Note c) | —                          | Provision of sport related services |

\* The English name is for identification purpose only.

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*Notes:*

- (a) In June 2013, pursuant to the shareholders’ agreements, the Group has 34% equity interest in and the rights to cast 34% of the votes of Enshi Tourism and Enshi Development at the respective shareholders’ meetings, the governing body which direct the relevant activities that significantly affect the returns of Enshi Tourism and Enshi Development. Other than the Group, Enshi Tourism and Enshi Development have two other shareholders which hold the remaining equity interests in same portion in Enshi Tourism and Enshi Development of 46% and 20% respectively. The approval of relevant activities require simple majority of votes of the shareholders. As the Group holds no more than half of the voting power in the shareholders’ meetings, Enshi Tourism and Enshi Development are accounted for as associates of the Group.
- (b) In September 2014, both Enshi Tourism and Enshi Development were deregistered and the Group derecognised the equity interests in Enshi Tourism and Enshi Development accordingly. No gain or loss was generated from the deregistration because there is no difference between proceeds received upon deregistration of interest in associates and the fair value of identifiable net asset of both Enshi Tourism and Enshi Development on deregistration date.
- (c) In May 2014, pursuant to the shareholders’ agreement, Zhong Ao Construction, a wholly-owned subsidiary of the Company, has 40% equity interest in and the rights to cast 40% of the votes of Guangzhou Sport at the shareholders’ meeting, the governing body which direct the relevant activities that significantly affect the returns of Guangzhou Sport. Other than the Group, Guangzhou Sport has a controlling shareholder which hold the remaining 60% equity interests and appointed sole director. The approval of relevant activities require simple majority votes of shareholders. As the Group holds no more than half of the voting power in the shareholders’ meetings, Guangzhou Sport is accounted for as an associate of the Group at the date of capital injection. In December 2014, the Group disposed its entire equity interests in Zhong Ao Construction to an independent third party, and Guangzhou Sport was also disposed of during the year ended 31 December 2014 accordingly.

Summarised financial information prepared in accordance with HKFRSs in respect of the Group’s material associate is set out below:

### Enshi Tourism

|                             | <b>At 31 December</b>         |                |                |
|-----------------------------|-------------------------------|----------------|----------------|
|                             | <b>2012</b>                   | <b>2013</b>    | <b>2014</b>    |
|                             | <i>RMB’000</i>                | <i>RMB’000</i> | <i>RMB’000</i> |
| Current assets              | —                             | 19,692         | —              |
| Total assets                | —                             | 19,692         | —              |
| Group’s share of net assets | —                             | 6,695          | —              |
|                             | <b>Year ended 31 December</b> |                |                |
|                             | <b>2012</b>                   | <b>2013</b>    | <b>2014</b>    |
|                             | <i>RMB’000</i>                | <i>RMB’000</i> | <i>RMB’000</i> |
| Loss for the year           | —                             | 309            | 296            |
| Group’s share of loss       | —                             | 105            | 101            |

During the year ended 31 December 2014, Enshi Tourism was deregistered.

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The financial information of the immaterial associate is set out below:

|  | <b>Year ended 31 December</b> |                |                |
|--|-------------------------------|----------------|----------------|
|  | <b>2012</b>                   | <b>2013</b>    | <b>2014</b>    |
|  | <i>RMB’000</i>                | <i>RMB’000</i> | <i>RMB’000</i> |
| Aggregate information of associate that is not individually material |                               |                |                |
| The Group’s share of loss  | —                             | 319            | 569            |

**20. INTERESTS IN JOINT VENTURES**

|  | <b>Year ended 31 December</b> |                |                |
|--|-------------------------------|----------------|----------------|
|  | <b>2012</b>                   | <b>2013</b>    | <b>2014</b>    |
|  | <i>RMB’000</i>                | <i>RMB’000</i> | <i>RMB’000</i> |
| Cost of investment, unlisted                                 | —                             | —              | 900            |
| Share of post-acquisition results, net of dividends received | —                             | —              | (98)           |
|  | —                             | —              | 802            |

| Name of entity   | Place of establishment | Date of establishment | Registered capital<br><i>RMB’000</i> | Proportion of ownership interest held by |      |      |                            | Principal activity |
|--|------------------------|-----------------------|--------------------------------------|--|------|------|----------------------------|--------------------|
|  |                        |                       |                                      | At 31 December                           |      |      | At the date of this report |                    |
|  |                        |                       |                                      | 2012                                     | 2013 | 2014 |                            |                    |
|  |                        |                       |                                      | %  | %    | %    |                            |                    |
| Ningbo Disai Hotel Property Service Company Limited*<br>(寧波市迪賽酒店物業服務有限公司) (“Ningbo Disai”) | PRC                    | 14 July 2009          | 1,500                                | —  | —    | 60   | 60                         | Inactive           |
| Guangzhou Daojia   | PRC                    | 14 March 2014         | 1,000                                | N/A                                      | N/A  | —    | —                          | Inactive           |

\* The English name is for identification purpose only.

**Notes:**

- (a) During the year ended 31 December 2014, the Group acquired 60% equity interest of Ningbo Disai at a consideration of RMB900,000, which approximates to its fair value as Ningbo Disai holds only bank balances and cash.
- (b) Guangzhou Daojia was established on 14 March 2014, by Guangdong Zhong Ao, a wholly-owned subsidiary of the Company, 金果創新(北京)科技有限公司 Jinguo Innovation (Beijing) Technology Company Limited (“Beijing Jinguo”) and 廣州久盛計算機軟件有限公司 Guangzhou Jiusheng Computer Software Company Limited (“Guangzhou Jiusheng”). The Group and the two other joint venturers hold equity interests of 60%, 20% and 20%, respectively. According to the Article of Association of Guangzhou Daojia, the board of directors is involved in daily operations and management of Guangzhou Daojia, unanimous consent of the directors is required on making decisions on relevant activities. Each of the investors cannot direct the activities without consensus of the others, and each party cannot individually control Guangzhou Daojia, therefore the Group classified interest in Guangzhou Daojia as interest in a joint venture with a capital injection by the Group of RMB600,000.

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In October 2014, Guangdong Zhong Ao acquired additional 20% equity interest in Guangzhou Daojia from Beijing Jinguo at a consideration of RMB300,000. In November 2014, Guangdong Zhong Ao disposed of 5% equity interest in Guangzhou Daojia to Guangzhou Jiusheng at a consideration of RMB19,000. Upon completion of the transfer transactions, Guangzhou Daojia was held by Guangdong Zhong Ao and Guangzhou Jinsheng of 75% and 25%, respectively.

In November 2014, a revised Article of Association of Guangzhou Daojia was adopted and became effective and it has stipulated that the board of directors comprises of 5 directors, of which 4 directors were appointed by Guangdong Zhong Ao and remaining 1 director was appointed by Guangzhou Jiusheng and simple majority votes of the directors are required on making decisions on relevant activities. After considering the fact and circumstances, the management of the Group concludes that the Group has the power of control over Guangzhou Daojia, therefore the Group classified Guangzhou Daojia as a subsidiary since then.

In November 2014, the Group deemed acquired 75% equity interest in a subsidiary of Guangzhou Daojia. Details are disclosed in note 33.

|  | <b>Year ended 31 December</b> |                |                |
|--|-------------------------------|----------------|----------------|
|  | <b>2012</b>                   | <b>2013</b>    | <b>2014</b>    |
|  | <i>RMB'000</i>                | <i>RMB'000</i> | <i>RMB'000</i> |
| Aggregate information of joint ventures that are not individually material |                               |                |                |
| The Group’s share of loss  | —                             | —              | 98             |

**21. GOODWILL**

|  | <b><u>RMB’000</u></b> |
|--|-----------------------|
| <b>COST AND CARRYING VALUES</b>                                |                       |
| Arising on acquisition of a subsidiary during the year ended   |                       |
| 31 December 2012 (note 33), at 31 December 2012, 2013 and 2014 | <u>41</u>             |

For the purpose of impairment testing, goodwill above has been allocated to the cash generating unit of Hangzhou Lvdu (“CGU”) which carried out property management services in Middle and Eastern Region.

The management of the Group determined that there is no impairment of its CGU containing goodwill during the Relevant Period.

The recoverable amount of the 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 five-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 2%.

Cash flow projections during the budget period for the 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 CGU’s past performance and management’s expectation of market development.



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**22. INTANGIBLE ASSETS**

|  | <b>Property<br/>management<br/>contracts</b> |
|--|--|
|  | <i>RMB'000</i>                               |
| <b>COST</b>  |  |
| Arising on acquisition of a subsidiary during the year ended<br>31 December 2012, at 31 December 2012, 2013 and 2014 | <u>280</u>                                   |
| <b>AMORTISATION</b>  |  |
| Charge for the year ended 31 December 2012 and at 31 December 2012   | 23   |
| Charge for the year  | <u>56</u>                                    |
| At 31 December 2013  | 79   |
| Charge for the year  | <u>56</u>                                    |
| At 31 December 2014  | <u>135</u>                                   |
| <b>CARRYING VALUES</b>   |  |
| At 31 December 2012  | <u><u>257</u></u>                            |
| At 31 December 2013  | <u><u>201</u></u>                            |
| At 31 December 2014  | <u><u>145</u></u>                            |

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over 5 years.

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**23. DEFERRED TAXATION**

The following are the major deferred tax asset recognised and movements thereon during the Relevant Period:

|                          | <b>Allowance on<br/>doubtful debt on<br/>trade receivables<br/>and total</b> |
|--------------------------|--|
|                          | <i>RMB'000</i>   |
| At 1 January 2012        | 708  |
| Credit to profit or loss | <u>1,478</u>   |
| At 31 December 2012      | 2,186  |
| Credit to profit or loss | <u>1,633</u>   |
| At 31 December 2013      | 3,819  |
| Credit to profit or loss | <u>3,463</u>   |
| At 31 December 2014      | <u><u>7,282</u></u>  |

At the end of the reporting period, the Group has unused tax losses of RMB2,007,000, RMB730,000 and RMB548,000 as at 31 December 2012, 2013 and 2014, respectively, available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the end of the reporting period will expire in the following years:

|      | <u>2012</u>         | <u>2013</u>       | <u>2014</u>       |
|------|---------------------|-------------------|-------------------|
|      | <i>RMB'000</i>      | <i>RMB'000</i>    | <i>RMB'000</i>    |
| 2014 | 697                 | —                 | —                 |
| 2015 | 455                 | —                 | —                 |
| 2016 | 855                 | 730               | —                 |
| 2019 | <u>—</u>            | <u>—</u>          | <u>548</u>        |
|      | <u><u>2,007</u></u> | <u><u>730</u></u> | <u><u>548</u></u> |

The Group has deductible temporary differences of RMB8,308,000, RMB5,701,000 and RMB4,252,000 as at 31 December 2012, 2013 and 2014, respectively in respect of the impairment loss on other receivables. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against while the deductible temporary differences can be utilised.

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As at 31 December 2012, 2013, 2014, the aggregate amount of temporary difference associated with the undistributed earnings of subsidiaries established in the PRC were approximately RMB4,600,000, RMB17,560,000, RMB55,220,000, respectively. Based on the business plan of the Group and dividend distribution plan of those subsidiaries established in the PRC, the management of the Group is of the opinion that a majority portion of the distributable profits of subsidiaries established in the PRC would be distributed after 31 December 2014 but before the completion of the Reorganisation, therefore, the tax effect on dividends to be distributed by its subsidiaries established in the PRC to the Company in the foreseeable future is not expected to be material. As a result, the Group has not recognised deferred tax liability in respect of such temporary differences.

**24. TRADE AND OTHER RECEIVABLES**

|  | NOTES | At 31 December |               |               |
|--|-------|----------------|---------------|---------------|
|  |       | 2012           | 2013          | 2014          |
|  |       | RMB'000        | RMB'000       | RMB'000       |
| Trade receivables  |       | 40,222         | 68,613        | 87,060        |
| Less: allowance for doubtful debts                             |       | (8,742)        | (15,275)      | (29,127)      |
| <b>Total trade receivables</b>                                 |       | <b>31,480</b>  | <b>53,338</b> | <b>57,933</b> |
| Other receivables:   |       |                |               |               |
| Deposits   | (a)   | 1,771          | 2,514         | 2,841         |
| Advances to staffs   |       | 3,080          | 3,689         | 4,908         |
| Prepayments  |       | 4,702          | 4,032         | 7,235         |
| Payments on behalf of residents                                | (b)   | 6,039          | 8,375         | 10,323        |
| Consideration receivable on disposal of a subsidiary (note 34) |       | —              | —             | 3,031         |
| Other tax recoverable  |       | 352            | 710           | 12            |
| Others   |       | 1,513          | 644           | 1,222         |
|  |       | 17,457         | 19,964        | 29,572        |
| Less: allowance for doubtful debts                             |       | (4,252)        | (5,701)       | (8,308)       |
| <b>Total other receivables</b>                                 |       | <b>13,205</b>  | <b>14,263</b> | <b>21,264</b> |
| <b>Total</b>   |       | <b>44,685</b>  | <b>67,601</b> | <b>79,197</b> |

*Notes:*

- (a) The balance represented the deposits paid to utilities suppliers for the community residents.
- (b) The balance represented the payment on behalf of community residents for settlement of the utilities bills from utilities suppliers.

Trade receivables are mainly arisen from property management services income.

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Property management services income from providing property management services are required to be settled by property owners within 45 days upon the issuance of demand note, the settlement pattern of the property management services income from property management services are normally within 30 days to 90 days after the issuance of demand note to the property owners.

The following is an aged analysis of trade receivables presented based on the date of demand note at the end of each reporting period, which approximated the respective revenue recognition dates:

|                 | <b>At 31 December</b> |                |                |
|-----------------|-----------------------|----------------|----------------|
|                 | <b>2012</b>           | <b>2013</b>    | <b>2014</b>    |
|                 | <i>RMB'000</i>        | <i>RMB'000</i> | <i>RMB'000</i> |
| 0 to 30 days    | 15,655                | 14,658         | 12,883         |
| 31 to 90 days   | 9,051                 | 11,249         | 13,629         |
| 91 to 180 days  | 4,982                 | 12,610         | 12,009         |
| 181 to 365 days | 1,792                 | 12,233         | 15,524         |
| Over 1 year     | —                     | 2,588          | 3,888          |
|                 | <u>31,480</u>         | <u>53,338</u>  | <u>57,933</u>  |

Credit 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 credit was initially granted up to the end of the reporting period and no impairment is considered necessary for those balances which are neither past due nor impaired as they have good repayment history with the Group.

Included in the Group's trade receivable balance are receivables with aggregate carrying amount of RMB12,204,000, RMB34,160,000 and RMB38,142,000 at 31 December 2012, 2013 and 2014, 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.

In determining the recoverability of trade receivables from the property management services, the Group estimates the recoverable amount of the trade receivables in each communities managed by the Group. Considering the subsequent settlement for each of trade receivables, impairment allowance is provided mainly to certain communities located in middle and eastern region and southern region of which the property management services are provided, in the opinion of the management of the Group necessary impairment allowance has been made in respect of the unsettled balances of trade receivables.

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**Aging of past due but not impaired trade receivables**

|                 | <b>At 31 December</b> |                |                |
|-----------------|-----------------------|----------------|----------------|
|                 | <b>2012</b>           | <b>2013</b>    | <b>2014</b>    |
|                 | <i>RMB’000</i>        | <i>RMB’000</i> | <i>RMB’000</i> |
| 0 to 90 days    | 5,430                 | 6,729          | 6,721          |
| 91 to 180 days  | 4,982                 | 12,610         | 12,009         |
| 181 to 365 days | 1,792                 | 12,233         | 15,524         |
| Over 1 year     | —                     | 2,588          | 3,888          |
|                 | <u>12,204</u>         | <u>34,160</u>  | <u>38,142</u>  |

**Movement in the allowance for doubtful trade and other receivables**

|  | <b>At 31 December</b> |                |                |
|--|-----------------------|----------------|----------------|
|  | <b>2012</b>           | <b>2013</b>    | <b>2014</b>    |
|  | <i>RMB’000</i>        | <i>RMB’000</i> | <i>RMB’000</i> |
| Balance at beginning of the reporting period | 6,680                 | 12,994         | 20,976         |
| Impairment losses recognised on receivables  | <u>6,314</u>          | <u>7,982</u>   | <u>16,459</u>  |
| Balance at end of the reporting period       | <u>12,994</u>         | <u>20,976</u>  | <u>37,435</u>  |

Included in the allowance for doubtful receivables are individually impaired trade and other receivables with an aggregate balance of RMB12,994,000, RMB20,976,000 and RMB37,435,000. With reference to the historical collection experience of these receivables, these balances may not be recoverable. The Group does not held any collateral over these balances.

**25. AMOUNTS DUE FROM DIRECTORS**

Particulars of amounts due from directors disclosed pursuant to section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap.622), which requires compliance with section 161B of the predecessor Hong Kong Companies Ordinance (Cap. 32) are as follows:

| <b>Name of director</b> | <b>At</b>        | <b>At 31 December</b> |                |                |
|-------------------------|------------------|-----------------------|----------------|----------------|
|                         | <b>1 January</b> | <b>2012</b>           | <b>2013</b>    | <b>2014</b>    |
|                         | <i>RMB’000</i>   | <i>RMB’000</i>        | <i>RMB’000</i> | <i>RMB’000</i> |
| Mr. Liu Jian            | 14,261           | 22,285                | 50,424         | 47,347         |
| Mr. Liang Bin           | 2,341            | 1,400                 | 2,442          | 7,687          |
| Mr. Long Weimin         | 1,879            | 1,400                 | 1,460          | 4,486          |
| Ms. Chen Zhuo           | <u>111</u>       | <u>—</u>              | <u>—</u>       | <u>318</u>     |
|                         | <u>18,592</u>    | <u>25,085</u>         | <u>54,326</u>  | <u>59,838</u>  |

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The amounts are non-trade nature, unsecured, interest-free and repayable on demand.

| <u>Name of director</u> | <b>Maximum amount outstanding<br/>during the year ended 31 December</b> |                |                |
|-------------------------|---|----------------|----------------|
|                         | <b>2012</b>   | <b>2013</b>    | <b>2014</b>    |
|                         | <i>RMB’000</i>  | <i>RMB’000</i> | <i>RMB’000</i> |
| Mr. Liu Jian            | 28,900  | 51,703         | 57,734         |
| Mr. Liang Bin           | 2,341   | 2,442          | 8,524          |
| Mr. Long Weimin         | 1,879   | 1,460          | 6,486          |
| Ms. Chen Zhuo           | 111   | —              | 351            |

The balances as at 31 December 2014 will be offset by RMB34,120,000 upon the dividends of the Company are declared and distributed to the shareholders of the Company. In the opinion of the management of the Group, the remaining balances will be settled upon the [REDACTED] of shares of the Company on the Stock Exchange.

**26. AMOUNT DUE FROM A RELATED PARTY**

Particulars of amount due from a related party disclosed pursuant to section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap.622), which requires compliance with section 161B of the predecessor Hong Kong Companies Ordinance (Cap. 32) are as follows:

| <u>Name of related party</u> | <b>At</b>        | <b>At 31 December</b> |                |                |
|------------------------------|------------------|-----------------------|----------------|----------------|
|                              | <b>1 January</b> | <b>2012</b>           | <b>2013</b>    | <b>2014</b>    |
|                              | <i>RMB’000</i>   | <i>RMB’000</i>        | <i>RMB’000</i> | <i>RMB’000</i> |
| Guangzhou Xunhua             | 3,146            | 550                   | 1,115          | 1,000          |

|                  | <b>Maximum amount outstanding<br/>during the year ended 31 December</b> |                |                |
|------------------|---|----------------|----------------|
|                  | <b>2012</b>   | <b>2013</b>    | <b>2014</b>    |
|                  | <i>RMB’000</i>  | <i>RMB’000</i> | <i>RMB’000</i> |
| Guangzhou Xunhua | 950   | 1,115          | 1,048          |

The amount due from 廣州迅華電氣技術有限公司 Guangzhou Xunhua Electric Technology Company Limited (“Guangzhou Xunhua”) is non-trade nature, unsecured, interest-free and repayable on demand.

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Guangzhou Xunhua is established in the PRC which carrying out the provision of electric lightening services. It is controlled by Mr. Liu Jian and therefore classified as a related party of the Group.

In the opinion of the management of the Group, the above balances will be settled upon the [REDACTED] of shares of the Company on the Stock Exchange.

### 27. FINANCIAL ASSETS DESIGNATED AS AT FVTPL

During the years ended 31 December 2012, 2013 and 2014, the Group has entered into several structured deposit contracts with banks. The return and principal amount were not guaranteed by the relevant banks. The entire combined contracts have been classified as financial assets designated as at FVTPL on initial recognition. The expected return rate stated in the contracts ranges from 2% to 10% per annum for the years ended 31 December 2012, 2013 and 2014.

There were no balances as at 31 December 2013 and 2014 as the relevant contracts have been fully redeemed before the end of the respective reporting period. In the opinion of the management of the Group, the fair value of the structured deposits at 31 December 2012 approximated their principal amounts. All of the structured deposits held by the Group as at 31 December 2012 have been subsequently settled during the year ended 31 December 2013 at their principal amounts together with returns which approximated the expected return.

### 28. BANK BALANCES AND CASH

The Group's bank balances carry interest at prevailing market interest rates which range from 0.4% to 2.3% per annum, 0.4% to 1.5% per annum and 0.4% to 1.5% per annum for the years ended 31 December 2012, 2013 and 2014, respectively.

### 29. TRADE AND OTHER PAYABLES

|                                 | NOTES | At 31 December |         |         |
|---------------------------------|-------|----------------|---------|---------|
|                                 |       | 2012           | 2013    | 2014    |
|                                 |       | RMB'000        | RMB'000 | RMB'000 |
| Trade payables                  |       | 15,683         | 23,766  | 23,168  |
| Other payables:                 |       |                |         |         |
| Receipts on behalf of residents | (a)   | 19,298         | 32,412  | 37,064  |
| Receipts in advances            | (b)   | 27,614         | 27,826  | 32,123  |
| Deposits received               | (c)   | 13,392         | 23,423  | 23,773  |
| Accrued staff costs             |       | 10,390         | 16,171  | 22,837  |
| Other tax payables              |       | 4,127          | 4,656   | 6,942   |
| Others                          |       | 1,241          | 1,024   | 3,286   |
| Total other payables            |       | 76,062         | 105,512 | 126,025 |
| Total                           |       | 91,745         | 129,278 | 149,193 |

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*Notes:*

- (a) The balances represented the receipts on behalf of community residents to settle the utilities bills from utilities suppliers.
- (b) The balances represented the advance from customers for settlement of management service fees.
- (c) The balances represented the deposits paid by the community residents during the period when the community is under property refurbishment.

The credit period granted by suppliers to the Group ranges from 3 days to 90 days during the Relevant Period. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

|              | <b>At 31 December</b> |                      |                      |
|--------------|-----------------------|----------------------|----------------------|
|              | <b>2012</b>           | <b>2013</b>          | <b>2014</b>          |
|              | <i>RMB’000</i>        | <i>RMB’000</i>       | <i>RMB’000</i>       |
| 0–60 days    | 14,786                | 22,170               | 18,703               |
| 61–180 days  | 581                   | 1,227                | 3,152                |
| 181–365 days | 104                   | 138                  | 804                  |
| Over 1 year  | <u>212</u>            | <u>231</u>           | <u>509</u>           |
|              | <u><u>15,683</u></u>  | <u><u>23,766</u></u> | <u><u>23,168</u></u> |

**30. AMOUNTS DUE TO RELATED PARTIES**

Particulars of amounts due to related parties are as follows:

| <b>Name of related parties</b>  | <b>At 31 December</b> |                     |                  |
|---|-----------------------|---------------------|------------------|
|   | <b>2012</b>           | <b>2013</b>         | <b>2014</b>      |
|   | <i>RMB’000</i>        | <i>RMB’000</i>      | <i>RMB’000</i>   |
| 廣東雅博物業服務有限公司<br>Guangdong Yabo Property Service Company Limited<br>(“Guangdong Yabo”) | 1,313                 | 1,275               | —                |
| Guangzhou Xunhua  | <u>85</u>             | <u>238</u>          | <u>72</u>        |
|   | <u><u>1,398</u></u>   | <u><u>1,513</u></u> | <u><u>72</u></u> |

The amount due to Guangdong Yabo is non-trade nature, unsecured, interest-free and repayable on demand.

Guangdong Yabo was established in the PRC which carrying out the provision of property management services. It is controlled by Mr. Liu Jian and therefore classified as a related party before 13 November 2014. Mr. Liu Jian disposed his entire equity interests in Guangdong Yabo to an independent third party on 13 November 2014 and since then Guangdong Yabo was not a related party.



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The amount due to Guangzhou Xunhua is trade nature with credit term of 30 days granted from the issuance of invoices and is aged within 30 days based on the invoice date at the end of each reporting period.

**31. BORROWING**

|  | <b>At 31 December</b> |                |                |
|--|-----------------------|----------------|----------------|
|  | <b>2012</b>           | <b>2013</b>    | <b>2014</b>    |
|  | <i>RMB’000</i>        | <i>RMB’000</i> | <i>RMB’000</i> |
| Guaranteed bank borrowing                                      | <u>—</u>              | <u>—</u>       | <u>12,000</u>  |
| Carrying amount repayable                                      |                       |                |                |
| Within one year  | —                     | —              | 2,361          |
| More than one year, but not exceeding two years                | —                     | —              | 2,361          |
| More than two years, but not exceeding five years              | <u>—</u>              | <u>—</u>       | <u>7,278</u>   |
|  | —                     | —              | 12,000         |
| Less: Amount due within one year shown under current liability | <u>—</u>              | <u>—</u>       | <u>(2,361)</u> |
| Amount due after one year                                      | <u>—</u>              | <u>—</u>       | <u>9,639</u>   |

The amount due is based on scheduled repayment dates set out in the relevant loan agreement. The bank borrowing is denominated in RMB. The contract interest rate on the Group’s borrowing is 115% of Benchmark Rate and the effective interest rate is 6.9% per annum as at 31 December 2014. A financial guarantee was given by the independent property developer set out in note 18 and Guangdong Zhong Ao.

**32. PAID-IN CAPITAL**

Paid-in capital of the Group at January 2012, 31 December 2012, 2013 represented the fully paid registered capital of Guangdong Zhong Ao of RMB10,000,000. Paid-in capital of the Group at 31 December 2014 comprised the fully paid registered capital of Guangdong Zhong Ao of RMB10,000,000 and the issued share capital of Zhong Ao Holdings of USD1.

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**33. ACQUISITIONS/DEEMED ACQUISITION OF SUBSIDIARIES**

**(a) Acquisition of business**

| <u>Name of subsidiary acquired</u>  | <u>Place of establishment</u> | <u>Acquisition date</u> | <u>Equity interest acquired</u> | <u>Consideration</u> | <u>Principal activities</u>                                |
|-------------------------------------|-------------------------------|-------------------------|---------------------------------|----------------------|--|
|                                     |                               |                         |                                 | <i>RMB’000</i>       |  |
| For the year ended 31 December 2012 |                               |                         |                                 |                      |  |
| Hangzhou Lvdu                       | PRC                           | 1 August 2012           | 100%                            | —                    | Provision of property management services<br><i>(Note)</i> |

The acquisition of subsidiary completed during the year ended 31 December 2012 was acquired from independent third party. The company was engaged in provision of property management services and is acquired to continue the expansion of the Group’s property management services.

*Consideration transferred*

|                         | <u>At 31<br/>December<br/>2012</u> |
|-------------------------|------------------------------------|
|                         | <i>RMB’000</i>                     |
| Cash consideration paid | —                                  |
|                         | <i>(Note)</i>                      |

*Note:* The consideration was less than RMB1,000.

Acquisition-related costs were insignificant and have been excluded from the cost of acquisition and were recognised as an expense in the period incurred within the “administrative expenses” line item in the combined statements of profit or loss and other comprehensive income.

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*Assets and liabilities recognised at the dates of acquisition*

|                               | <b>At<br/>31 December<br/>2012</b> |
|-------------------------------|------------------------------------|
|                               | <i>RMB'000</i>                     |
| Net liabilities acquired      |                                    |
| Property, plant and equipment | 46                                 |
| Intangible assets             | 280                                |
| Trade and other receivables   | 980                                |
| Bank balances and cash        | 279                                |
| Trade and other payables      | <u>(1,626)</u>                     |
|                               | <u><u>(41)</u></u>                 |

The trade and other receivables acquired with a fair value of RMB980,000 as at the date of acquisition during the year ended 31 December 2012 are the same as the contractual amounts of RMB980,000.

*Goodwill arising on acquisition*

|  | <b>At<br/>31 December<br/>2012</b> |
|--|------------------------------------|
|  | <i>RMB'000</i>                     |
| Consideration transferred                              | —                                  |
| Add: fair value of net identified liabilities acquired | <u>41</u>                          |
| Goodwill arising on acquisitions                       | <u><u>41</u></u>                   |

Goodwill was arisen on the acquisition of a subsidiary during the year ended 31 December 2012, because the acquisition included the future profitability of the acquiree and the anticipated future operating synergies from the acquisition.

None of the goodwill arising on the acquisition during the year ended 31 December 2012 are expected to be deductible for tax purposes.

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**ACCOUNTANTS' REPORT**

*Net cash inflows arising on acquisitions*

|                                       | <b>At</b><br><b>31 December</b><br><b>2012</b><br><i>RMB'000</i> |
|---------------------------------------|--|
| Cash consideration paid               | —  |
| Less: Bank balances and cash acquired | <u>(279)</u>   |
|                                       | <u><u>(279)</u></u>  |

*Impact of acquisition on the results of the Group*

Revenue and profit generated by the acquirees and included in the Financial Information during the year of acquisition are as follow:

|                     | <b>Year ended</b><br><b>31 December</b><br><b>2012</b><br><i>RMB'000</i> |
|---------------------|--|
| Revenue             | 1,923  |
| Profit for the year | <u>639</u>   |

Had the above acquisition been completed on 1 January 2012, the Group's revenue and profit for the year ended 31 December 2012 would be as follow:

|                     | <b>Year ended</b><br><b>31 December</b><br><b>2012</b><br><i>RMB'000</i> |
|---------------------|--|
| Revenue             | 201,295  |
| Profit for the year | <u>12,958</u>  |

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group for the year ended 31 December 2012 that actually would have been achieved had the acquisition been completed on 1 January 2012, as appropriate, nor is it intended to be a projection of future results.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**(b) Acquisitions of assets and liabilities through acquisition of subsidiaries**

| <u>Name of subsidiary acquired</u>  | <u>Place of establishment</u> | <u>Acquisition date</u> | <u>Entity interest acquired</u> | <u>Consideration</u><br><i>RMB’000</i> |
|-------------------------------------|-------------------------------|-------------------------|---------------------------------|--|
| For the year ended 31 December 2013 |                               |                         |                                 |  |
| Hangzhou Huachang                   | PRC                           | 1 August 2013           | 100%                            | 1,000                                  |
| For the year ended 31 December 2014 |                               |                         |                                 |  |
| Guangzhou Daojia                    | PRC                           | 29 November 2014        | 75%                             | —<br><i>(Note)</i>                     |

*Note:* Before November 2014, the Group held 75% equity interests in Guangzhou Daojia, and classify Guangzhou Daojia as a joint venture (details are set out in note 20). In November 2014, a revised Article of Association of Guangzhou Daojia was adopted and became effective and it has stipulated that the board of directors comprises of 5 directors, of which 4 directors were appointed by Guangdong Zhong Ao and remaining 1 director was appointed by Guangzhou Jiusheng and simple majority votes of the directors are required on making decisions on relevant activities. After considering the fact and circumstances, the management of the Group concludes that the Group has the power of control over Guangzhou Daojia, therefore the Group classified Guangzhou Daojia as a subsidiary since then (“Deemed Acquisition”).

*Assets and liabilities recognised at the dates of acquisition*

|                               | <u>At 31 December</u> |                |
|-------------------------------|-----------------------|----------------|
|                               | <u>2013</u>           | <u>2014</u>    |
|                               | <i>RMB’000</i>        | <i>RMB’000</i> |
| Net assets acquired           |                       |                |
| Property, plant and equipment | —                     | 76             |
| Trade and other receivables   | —                     | 68             |
| Bank balances and cash        | 1,000                 | 1,000          |
| Trade and other payables      | —                     | (144)          |
|                               | <u>1,000</u>          | <u>1,000</u>   |

*Net cash inflows arising on acquisitions*

|                                       | <u>At 31 December</u> |                |
|---------------------------------------|-----------------------|----------------|
|                                       | <u>2013</u>           | <u>2014</u>    |
|                                       | <i>RMB’000</i>        | <i>RMB’000</i> |
| Cash consideration paid               | 1,000                 | —              |
| Less: Bank balances and cash acquired | (1,000)               | (1,000)        |
|                                       | <u>—</u>              | <u>(1,000)</u> |

## APPENDIX I

## ACCOUNTANTS' REPORT

### 34. DISPOSALS OF SUBSIDIARIES

#### For the year ended 31 December 2012

In July 2012, the Group disposed of its entire 100% equity interests in Foshan Julong to an independent third party for a consideration of RMB4.

The net assets of Foshan Julong at disposal date were as follows:

|   | <u>RMB'000</u> |
|---|----------------|
| Net assets disposed of                      |                |
| Other receivables                           | 86             |
| Other payables                              | <u>(84)</u>    |
|   | 2              |
| Loss on disposal of a subsidiary recognised | <u>(2)</u>     |
|   | <u>—</u>       |
| Satisfied by:                               |                |
| Cash consideration ( <i>note</i> )          | <u>—</u>       |

*Note:* The consideration was less than RMB1,000.

#### For the year ended 31 December 2014

During the year ended 31 December 2014, the Group disposed of its 90% equity interest in Zhong Ao Hotel and the entire 100% equity interest in Zhong Ao Construction to an independent third party for an aggregate consideration of RMB19,000,000. On disposal, the Group owed the disposed subsidiaries amounting to RMB15,969,000. The amounts due to the disposed subsidiaries of RMB15,969,000 was offset and consideration to be received was reduced by RMB15,969,000, so the remaining consideration receivable was amounting to RMB3,031,000.

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**ACCOUNTANTS’ REPORT**

The net assets of Zhong Ao Hotel and Zhong Ao Construction at disposal date were as follows:

|                                       | <u><b>RMB’000</b></u> |
|---------------------------------------|-----------------------|
| Net assets disposed of                |                       |
| Interest in an associate              | 2,800                 |
| Bank balances and cash                | <u>65</u>             |
|                                       | <u><u>2,865</u></u>   |
| Consideration receivable (note 24)    | 3,031                 |
| Net assets disposed of                | (2,865)               |
| Non-controlling interest              | <u>1,000</u>          |
| Gain on disposal                      | <u><u>1,166</u></u>   |
| Net cash outflow arising on disposal: |                       |
| Bank balances and cash disposed       | <u><u>65</u></u>      |

The deferred consideration receivable is unsecured, non-interest bearing and will be settled in cash by purchaser on or before 31 December 2015.

**35. OPERATING LEASES**

**The Group as lessee**

|   | <u><b>Year ended 31 December</b></u> |                    |                    |
|---|--------------------------------------|--------------------|--------------------|
|   | <u><b>2012</b></u>                   | <u><b>2013</b></u> | <u><b>2014</b></u> |
|   | <i>RMB’000</i>                       | <i>RMB’000</i>     | <i>RMB’000</i>     |
| Minimum lease payments paid under operating leases<br>in respect of rented premises during the year | <u>448</u>                           | <u>748</u>         | <u>970</u>         |

**APPENDIX I**

**ACCOUNTANTS' REPORT**

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

|  | <b>Staff dormitories</b> |                |                |
|--|--------------------------|----------------|----------------|
|  | <b>At 31 December</b>    |                |                |
|  | <b>2012</b>              | <b>2013</b>    | <b>2014</b>    |
|  | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> |
| Within one year                        | 557                      | 934            | 828            |
| In the second to fifth years inclusive | 281                      | 763            | 464            |
| Over five years                        | 66                       | 10             | —              |
|  | <u>904</u>               | <u>1,707</u>   | <u>1,292</u>   |

Operating lease payment represent rentals payable by the Group for its office premises. Leases are negotiated and rentals are fixed for terms of two to ten years.

**36. CAPITAL COMMITMENTS**

|  | <b>Year ended 31 December</b> |                |                |
|--|-------------------------------|----------------|----------------|
|  | <b>2012</b>                   | <b>2013</b>    | <b>2014</b>    |
|  | <i>RMB'000</i>                | <i>RMB'000</i> | <i>RMB'000</i> |
| Consideration committed in respect of purchase of property, plant and equipment contracted for but not provided in the Financial Information | <u>2,947</u>                  | <u>2,440</u>   | <u>313</u>     |

**37. RETIREMENT BENEFIT PLAN**

The employees of the PRC entities are members of a state-managed retirement benefit scheme operated by the government of the PRC. The Group is required to contribute 12% to 20% of the total monthly basic salaries of its current employees to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total costs charged to profit or loss were amounted to RMB7,935,000, RMB8,020,000 and RMB9,272,000 for the years ended 31 December 2012, 2013 and 2014, respectively.

**38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY**

In the opinion of the management of the Group, none of the Group's non-wholly owned subsidiaries have material non-controlling interests to the Group.



**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**39. RELATED PARTY DISCLOSURES**

**(a) Related parties transactions**

During the Relevant Period, the Group entered into the following significant transactions with related parties as follows:

| <u>Related parties</u> | <u>Relationship</u>   | <u>Transactions</u>                       | <u>2012</u>    | <u>2013</u>    | <u>2014</u>    |
|------------------------|---|---|----------------|----------------|----------------|
|                        |   |   | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Guangzhou Xunhua       | Company controlled by Mr. Liu Jian, a controlling shareholder and director of the Company | Provision of services to the Group        | 1,097          | 1,622          | 1,761          |
|                        |   | Purchase of property, plant and equipment | 262            | 320            | 19             |
| Ms. Chen Zhuo          | A shareholder and director of the Company   | Provision of rental services to the Group | —              | —              | 4              |

As represented by the management of the Group, all transactions are expected to be discontinued after the [REDACTED] of the Company’s shares on the Stock Exchange.

**(b) Compensation of key management personnel**

The remuneration of key management personnel during the Relevant Period was as follows:

|                              | <u>Year ended 31 December</u> |                |                |
|------------------------------|-------------------------------|----------------|----------------|
|                              | <u>2012</u>                   | <u>2013</u>    | <u>2014</u>    |
|                              | <i>RMB’000</i>                | <i>RMB’000</i> | <i>RMB’000</i> |
| Short-term employee benefits | 1,466                         | 1,560          | 1,310          |
| Post employment benefits     | <u>31</u>                     | <u>35</u>      | <u>47</u>      |
|                              | <u>1,497</u>                  | <u>1,595</u>   | <u>1,357</u>   |

The remuneration of key management personnel is determined by reference to the performance of individuals and market trend.

**B. IMMEDIATE AND ULTIMATE HOLDING COMPANY**

At the date of this report, the management of the Group consider that the Company’s immediate and ultimate holding company is [●] a limited company which incorporated in the British Virgin Islands.

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## ACCOUNTANTS' REPORT

### C. SUBSEQUENT EVENTS

The following significant events took place subsequent to 31 December 2014:

On [●], 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 [●]" in Appendix [●] of the [REDACTED]. It was resolved, among other things:

- (i) the authorised share capital of the Company be increased from [●] to [●] by the creation of [●] new shares of [●] each;
- (ii) 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 [REDACTED] by the Company pursuant to the [REDACTED], the directors of the Company were authorised to capitalize [REDACTED] standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par of [●] 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 [REDACTED] 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 of the Company of the Group were authorised to give effect to such capitalisation;
- (iii) dividends in respect of the period from the date of incorporation of the Company to [●] amounting to RMB[87,592,000] will be distributed to the shareholders of the Company in which [RMB34,120,000] will be offset with amounts due from directors set out in note 25 and the remaining balance will be distributed in cash; and
- (iv) on 20 April 2015, the [REDACTED] as defined in the [REDACTED] was adopted for the purpose to provide incentives to directors and eligible employees. On [●], the Company granted options to the directors and eligible employees to subscribe for a total of [56,719,000] ordinary shares of the Company. The principal terms of the share option scheme are summarised in the section headed "Share Option Scheme" in Appendix IV to the [REDACTED].

### D. 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 31 December 2014.

Yours faithfully,  
**[Deloitte Touche Tohmatsu]**  
*Certified Public Accountants*  
Hong Kong  
*[Date]*

**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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[REDACTED]

**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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[REDACTED]

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## APPENDIX III      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANIES LAW

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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 January 5, 2015 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 [●]. 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.

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## APPENDIX III      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANIES LAW

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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

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## **APPENDIX III            SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANIES LAW**

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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 merchant, 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;

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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
AND CAYMAN COMPANIES LAW**

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- (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



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## **APPENDIX III                      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANIES LAW**

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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) shall 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 by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall 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 the members may by ordinary resolution appoint another in his place at the meeting at which such Director is removed. 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.

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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.

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## **APPENDIX III      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANIES LAW**

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*(ix) Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. 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 state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles 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, 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

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- (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.

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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 recognised 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 recognised 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 not more than eighteen (18) months from

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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 of 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.

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### **(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 to such members 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.

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### **(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 recognise 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



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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.

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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

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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.

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### **(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

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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.

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### **(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.

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**(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.

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### **(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.



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### **(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 (2011 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 January 20, 2015.

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 a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is 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.

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**(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

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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

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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, 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.

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### 1. FURTHER INFORMATION

#### A. Incorporation

Our Company was incorporated as an exempted company in the Cayman Islands under the Companies Law on January 5, 2015. Our Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our Company has established our principal place of business in Suit Nos. 5 and 6, 9th Floor, Tower 2, China Hong Kong City, 33 Canton Road, Tsimshatsui, Hong Kong and has been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on May 28, 2015, with Mr. Yu Chun Hong appointed as the authorized representative of our Company for acceptance of service of process in Hong Kong. The address for service of process on our Company in Hong Kong is the same as its principal place of business in Hong Kong as set out above.

Our Company was incorporated in the Cayman Islands and is subject to the Companies Law. Its constitution comprises the memorandum of association and articles of association. A summary of various provisions of the memorandum and articles of association and relevant aspects of the Companies Law is set out in Appendix IV to this document.

#### B. Changes in Share Capital of Our Company

The authorized share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. The following sets out the changes in the Company's issued share capital since our Company's incorporation:

- (a) On January 5, 2015, one subscriber's Share of HK\$0.01 was allotted and issued as nil paid to the initial subscriber and was further transferred to Qichang;
- (b) On January 5, 2015, 99 Shares of HK\$0.01 were allotted and issued as nil paid to Qichang;
- (c) On April 17, 2015, the 100 nil-paid Shares was credited as fully paid up by Qichang;
- (d) On April 17, 2015, 660, 150 and 90 Shares of HK\$0.01 were allotted and issued to Qichang, Central Oscar and Decision Holdings respectively, as fully paid up; and
- (e) Pursuant to the written resolutions of our Shareholders passed on [●], the authorized share capital of our Company was increased from HK\$380,000 to HK\$80,000,000 by the creation of a further 7,962,000,000 Shares of HK\$0.01 each.

A total of [REDACTED] new Shares will be offered to the public by way of [REDACTED].

Conditional on the share premium account of our Company being credited with the proceeds from the [REDACTED], [REDACTED] will be [REDACTED] from the share premium account and applied in paying up in full [REDACTED] which will be allotted and issued to Qichang, Central Oscar and Decision Holdings respectively on or before the [REDACTED].

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Immediately following the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be allotted and issued pursuant to the [REDACTED] or any options which have been granted under the [REDACTED] and may be granted under the Share Option Scheme), the issued share capital of our Company will be [REDACTED] divided into [REDACTED] Shares fully paid or credited as fully paid and [REDACTED] Shares will remain unissued. Other than pursuant to the exercise of the [REDACTED] or any options which have been granted under the [REDACTED] and may be granted under the Share Option Scheme, our Directors do not have any present intention to issue any part of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as aforesaid, there has been no alteration in the share capital of our Company since its incorporation.

**C. Written Resolutions of Our Shareholders Passed on [●]**

Pursuant to the written resolutions of our Shareholders passed on [●], among other things:

- (a) the authorized share capital of our Company was increased from HK\$380,000 to HK\$80,000,000 by the creation of a further 7,962,000,000 Shares;
- (b) conditional on the conditions as set out in the section headed "Structure of the [REDACTED]" of this document:
  - i. the [REDACTED] and the [REDACTED] were approved and our Directors were authorized to allot and issue the [REDACTED] and Shares which may be required to be allotted and issued upon the exercise of the [REDACTED];
  - ii. conditional on the share premium account of our Company being credited as a result of the [REDACTED], our Directors were authorized to capitalize [REDACTED] standing to the credit of the share premium account of our Company applying such sum in paying up in full at par a total of [REDACTED] for allotment and issue to the following Shareholders in the following manner:

| <b>Shareholder</b> | <b>Number of Shares<br/>to be allotted<br/>and issued</b> |
|--------------------|---|
| Qichang            | [REDACTED]  |
| Central Oscar      | [REDACTED]  |
| Decision Holdings  | <u>[REDACTED]</u>   |
|                    | <u><u>[REDACTED]</u></u>                                  |

- iii. the rules of the Share Option Scheme were approved and adopted and our Directors were authorized to implement the same, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant thereto;

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- iv. a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, otherwise than by way of rights issues or an issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of any options which may be granted under the Share Option Scheme or under any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of our subsidiaries of shares or rights to acquire shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares of our Company in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of our Company or a specific authority granted by the Shareholders in general meeting, Shares with a total nominal value not exceeding the aggregate of (1) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options granted under the [REDACTED] and may be granted under the Share Option Scheme); and (2) the aggregate nominal value of shares repurchased under the repurchase mandate as mentioned in paragraph (v) below. Such mandate shall remain in effect until whichever is the earliest of:
- (1) the conclusion of the next annual general meeting of our Company;
  - (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws of Cayman Islands; or
  - (3) the passing of an ordinary resolution of the shareholders of our Company in a general meeting revoking, varying or renewing such mandate; and
- v. a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other 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 of the total nominal value of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and the [REDACTED] (excluding any Shares which may be issued pursuant to the exercise of the any options granted under the [REDACTED] and may be granted under the Share Option Scheme), such mandate shall remain in effect until whichever is the earliest of:
- (1) the conclusion of the next annual general meeting of our Company;

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- (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws of Cayman Islands; or
  - (3) the passing of an ordinary resolution of the shareholders of our Company in a general meeting revoking, varying or renewing such mandate; and
- (c) the Memorandum and Articles of Association of our Company were conditionally approved and adopted.

### 2. CHANGES IN SHARE CAPITAL OF OUR SUBSIDIARIES

Our subsidiaries are set out under the Accountants' Report as included in Appendix I to this document. Save for the subsidiaries mentioned in Appendix I to this document, our Company has no other subsidiaries. Save as disclosed below, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this document:

- (a) Zhong Ao Holdings was incorporated under the laws of the BVI on November 24, 2014 and is authorized to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00;
- (b) Zhong Ao HK was incorporated under the laws of Hong Kong on January 15, 2015 and is authorized to issue a maximum of 10,000 shares of a single class each with a par value of HK\$1.00;
- (c) Guangzhou Daojia was established as a limited company under the laws of the PRC on March 14, 2014 with a registered capital of RMB1,000,000;
- (d) Hangzhou Yidao was established as a limited company under the laws of the PRC on February 3, 2015 with a registered capital of RMB1,000,000;
- (e) Guangzhou Xuji was established as a wholly foreign-owned enterprise under the laws of the PRC on March 23, 2015 with a registered capital of RMB1,000,000;
- (f) The registered capital of Guangzhou Xuji was increased from RMB1,000,000 to RMB77,500,000 on May 20, 2015; and
- (g) Guangzhou Suiya was established as a wholly foreign-owned enterprise under the laws of the PRC on March 31, 2015 with a registered capital of RMB1,000,000.

### 3. REORGANIZATION

In preparation for the [REDACTED], we underwent the Reorganization, details of which are set out in the section headed "History, Reorganization and Corporate Structure" in this document. Following the Reorganization, our Company became the holding company of our Group.

A diagram showing our Group structure after the Reorganization and immediately upon completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised and no



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Share has been allotted and issued pursuant to the exercise of any option which has been granted under the [REDACTED] and may be granted under the Share Option Scheme) is set out in the section headed "History, Reorganization and Corporate Structure" of this document.

### 4. REPURCHASE BY OUR COMPANY OF OUR OWN SECURITIES

This paragraph includes information required by the Stock Exchange to be included in this document concerning the repurchase by our Company of its own securities.

#### (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 most important of which are summarized below:

##### (i) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions of our Shareholders passed on [●], a general mandate was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or any other 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, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding any Shares which may be issued pursuant to the exercise of the options granted under the [REDACTED] and any options may be granted under the Share Option Scheme). The general mandate will expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first (the "**Buyback Mandate**").

##### (ii) *Source of funds*

Any repurchases must be financed out of funds legally available for such purpose in accordance with the memorandum and articles of association of our Company, the Listing Rules and any applicable laws and regulations from time to time in force of the Cayman Islands.

##### (iii) *Trading restrictions*

A company is authorized to repurchase on the Stock Exchange or on any other stock exchange recognized by the SFC and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate nominal value of the existing issued share capital of that company or warrants to subscribe for shares in the company representing up to 10%

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of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on the Stock Exchange or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchase on the Stock Exchange if the result of the repurchases would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange. A company shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

### *(iv) Status of repurchased securities*

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the Cayman Islands law, a company's repurchased shares may be held as treasury shares or treated as cancelled and, if so cancelled, the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorized share capital of the company will not be reduced.

### *(v) Suspension of repurchase*

Any securities repurchase program is required to be suspended after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Stock Exchange Listing Rules) and (b) the deadline for a listed company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, the listed company may not purchase its shares on the Stock Exchange, unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on the Stock Exchange if a company has breached the Listing Rules.

### *(vi) Reporting requirements*

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 9:00 a.m. (Hong Kong time) on the following business day. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on the Stock Exchange or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its

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broker who effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

*(vii) Connected parties*

Under the Listing Rules, a company shall not knowingly repurchase shares from a connected person (as defined in the Listing Rules) and a connected person shall not knowingly sell his shares to the company.

**(b) Exercise of the Buyback Mandate**

Exercise in full of the Buyback Mandate, on the basis of [REDACTED] Shares in issue immediately after the [REDACTED], could accordingly result in up to [REDACTED] Shares being repurchased by our Company during the period in which the Buyback Mandate remains in force. On the basis of the current financial position of our Group as disclosed in this document and taking into account the current working capital position of our Group, our Directors consider that, if the Buyback Mandate were to be exercised in full, there might be a material adverse impact on the working capital and/or gearing position of our Group (as compared with the position disclosed in this document). However, our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

**(c) Reasons for Repurchases**

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share or both.

**(d) Funding of Repurchases**

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with our memorandum and articles of association, the Listing Rules and the applicable laws and regulations from time to time in force of the Cayman Islands. A listed company is prohibited from repurchasing 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 from time to time.

Under the Cayman Islands law, any repurchases by our Company may be made out of profits of our Company or from sums standing to the credit of the share premium account of our Company or out of the proceeds of a fresh issue of share made for the purpose of the repurchase or, if authorized by the articles of association of our Company and subject to the Companies Law, out of capital and, in case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company, or if authorized by our Articles of Association and subject to the Companies Law, out of capital.

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### (e) General

None of our Directors, to the best of their knowledge having made all reasonable enquiries, nor any of their associates (as defined in the Listing Rules) currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules, the memorandum and the articles of association of our Company and the applicable laws of the Cayman Islands.

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, in the event that the Buyback Mandate is exercised.

If as a result of a 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 purpose of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase in the Shareholder’s interest, could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code due to any repurchase made pursuant to the Buyback Mandate immediately after the [REDACTED].

## 5. FURTHER INFORMATION ABOUT OUR BUSINESS

### A. Summary of Our Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of our business) within two years immediately preceding the date of this document which are or may be material:

- (a) the Hong Kong Underwriting Agreement;
- (b) the Deed of Non-competition;
- (c) a deed of indemnity dated [●] and executed by each of the Controlling Shareholders in favor of our Company (for itself and as trustee for our subsidiaries stated therein), which contains the indemnities more particularly referred to in the paragraph headed “10. Other Information — A. Tax and other indemnities” of this Appendix;
- (d) an equity transfer agreement dated April 10, 2015 and entered into among Guangzhou Xuji, Mr. Liu, Ms. Chen, Mr. Long and Mr. Liang whereby Mr. Liu, Ms. Chen, Mr. Long and Mr. Liang agreed to sell the aggregate entire equity interest in Zhong Ao Property to Guangzhou Xuji at a consideration of RMB10,000,000;
- (e) the Business Cooperation Agreement (業務合作協議) dated April 15, 2015, entered into among Guangzhou Suiya, Guangzhou Maiyue, Mr. Liu and Ms. Zhao;

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- (f) the Exclusive Technical Services and Management Consultancy Agreement (獨家技術服務及管理諮詢協議) dated April 15, 2015, entered into between Guangzhou Suiya and Guangzhou Maiyue;
- (g) the Exclusive Call Option Agreement (業務合作協議) dated April 15, 2015, entered into among Guangzhou Suiya, Guangzhou Maiyue, Mr. Liu and Ms. Zhao;
- (h) the Shareholders' Rights Entrustment Agreement dated April 15, 2015, entered into among Guangzhou Suiya, Guangzhou Maiyue and Mr. Liu;
- (i) the Power of Attorney (授權書) dated April 15, 2015, in connection with the Shareholders' Rights Entrustment Agreement executed by Mr. Liu authorising and appointing Guangzhou Suiya as Mr. Liu's agent to act on his behalf to exercise or delegate the exercise of all his rights as shareholder of Guangzhou Maiyue;
- (j) the Equity Pledge agreement (股權質押協議) dated April 15, 2015, entered into among Guangzhou Suiya, Guangzhou Maiyue, Mr. Liu and Ms. Zhao; and
- (k) the Spouse Undertaking (承諾函) dated April 15, 2015, executed by the respective spouse of Mr. Liu and Ms. Zhao in favour of Guangzhou Suiya.
- (l) an equity transfer agreement dated August 12, 2013 and entered into between Zhong Ao Property and Ding Minger (丁明兒) in relation to the transfer of 90% equity interest in Hangzhou Huachang from Ding Minger to Zhong Ao Property;
- (m) an equity transfer agreement dated August 12, 2013 and entered into between Zhong Ao Property and Ping Bailiang (平柏良) in relation to the transfer of 10% equity interest in Hangzhou Huachang from Ping Bailiang to Zhong Ao Property;
- (n) an equity transfer agreement dated July 4, 2014 and entered into between Zhong Ao Property and Ningbo Bailong in relation to the transfer of 50% equity interest in Ningbo Disai from Ningbo Bailong to Zhong Ao Property;
- (o) an equity transfer agreement dated September 18, 2014 and entered into between Zhong Ao Property and Disai Holding in relation to the transfer of 10% equity interest in Ningbo Disai from Disai Holding to Zhong Ao Property;
- (p) an equity transfer agreement dated October 13, 2014 and entered into between Zhong Ao Property and Jinguo in relation to the transfer of 20% equity interest in Guangzhou Daojia from Jinguo to Zhong Ao Property;
- (q) an equity transfer agreement dated December 29, 2014 and entered into between Zhong Ao Property and Jiusheng in relation to the transfer of 5% equity interest in Guangzhou Daojia from Zhong Ao Property to Jiusheng;
- (r) an equity transfer agreement dated December 1, 2014 and entered into between Zhong Ao Property and Wang Hongwei (王紅衛) in relation to the transfer of the entire equity interest in Zhong Ao Construction from Zhong Ao Property to Wang Hongwei;

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- (s) an equity transfer agreement dated December 28, 2014 and entered into between Zhong Ao Property and Wang Hongwei (王紅衛) in relation to the transfer of 90% equity interest in Zhong Ao Hotel from Zhong Ao Property to Wang Hongwei;
- (t) the VKC SPA dated February 3, 2015, entered into by Central Oscar with, among others, our Company, Mr. Liu, Ms. Chen, Mr. Long and Mr. Liang, details of which are set out in the section headed “History, reorganization and corporate structure — [REDACTED]”;
- (u) the Hengji SPA dated February 3, 2015, entered into by Hengji with, among others, our Company, Mr. Liu, Ms. Chen, Mr. Long and Mr. Liang and the incidental novation agreement, details of which are set out in the section headed “History, reorganization and corporate structure — [REDACTED]”; and
- (v) the [REDACTED] dated February 3, 2015, entered into by our Company with, among others, Central Oscar, Hengji, Mr. Liu, Ms. Chen, Mr. Long and Mr. Liang and the incidental novation agreement, details of which are set out in the section headed “History, reorganization and corporate structure — [REDACTED]”.

**B. Our Intellectual Property Rights**

*(a) Trademarks*

*(i) Registered trademarks owned by our Group*

As of the Latest Practicable Date, we have registered the following trademarks which are material to our business.

| <u>Trademark</u>  | <u>Place of registration</u> | <u>Registration number</u> | <u>Name of registrant</u> | <u>Class</u> | <u>Expiry date</u> |
|---|------------------------------|----------------------------|---------------------------|--------------|--------------------|
| 中奧行   | PRC                          | 8147289                    | Zhong Ao Property         | 36           | April 13, 2022     |
| 中物協   | PRC                          | 8147298                    | Zhong Ao Property         | 36           | January 27, 2022   |
| 中酒物联  | PRC                          | 8135287                    | Zhong Ao Property         | 36           | April 20, 2021     |
| 中酒物联  | PRC                          | 8135297                    | Zhong Ao Property         | 43           | April 13, 2021     |
| 中物行   | PRC                          | 7955452                    | Zhong Ao Property         | 36           | March 20, 2021     |
|  | PRC                          | 6943540                    | Zhong Ao Property         | 36           | March 13, 2021     |
| 中奧物管  | PRC                          | 12120547                   | Zhong Ao Property         | 43           | July 20, 2024      |
| 中奧物管  | PRC                          | 12120443                   | Zhong Ao Property         | 40           | August 20, 2024    |

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| <u>Trademark</u> | <u>Place of registration</u> | <u>Registration number</u> | <u>Name of registrant</u> | <u>Class</u> | <u>Expiry date</u> |
|------------------|------------------------------|----------------------------|---------------------------|--------------|--------------------|
| <b>中奥物管</b>      | PRC                          | 12120338                   | Zhong Ao Property         | 36           | September 6, 2024  |
| <b>中奥物管</b>      | PRC                          | 12120764                   | Zhong Ao Property         | 45           | July 20, 2024      |
| <b>中奥物业</b>      | PRC                          | 12578932                   | Zhong Ao Property         | 36           | March 27, 2025     |

(ii) *Application for registration of trademarks*

As of the Latest Practicable Date, we have made the following trademark registration applications.

| <u>Trademark</u>  | <u>Place of registration</u> | <u>Application number</u> | <u>Name of applicant</u> | <u>Class</u>   | <u>Date of application</u> |
|---|------------------------------|---------------------------|--------------------------|----------------|----------------------------|
| <b>Zhong Ao</b>   | Hong Kong                    | 303379564                 | Zhong Ao Property        | 16, 35, 36, 45 | April 20, 2015             |
| <b>中奥</b>   | Hong Kong                    | 303379573                 | Zhong Ao Property        | 16, 35, 36, 45 | April 20, 2015             |
| <b>中奥</b>   | Hong Kong                    | 303379573                 | Zhong Ao Property        | 16, 35, 36, 45 | April 20, 2015             |
|  | Hong Kong                    | 303379582                 | Zhong Ao Property        | 16, 35, 36, 45 | April 20, 2015             |
|  | Hong Kong                    | 303379582                 | Zhong Ao Property        | 16, 35, 36, 45 | April 20, 2015             |
| <b>中奥到家</b>   | Hong Kong                    | 303407643                 | Zhong Ao Property        | 16, 35, 36, 45 | May 14, 2015               |
| <b>中奥到家</b>   | Hong Kong                    | 303407643                 | Zhong Ao Property        | 16, 35, 36, 45 | May 14, 2015               |
| <b>Zhong Ao Home</b>  | Hong Kong                    | 303407652                 | Zhong Ao Property        | 16, 35, 36, 45 | May 14, 2015               |
| <b>ZhongAoHome</b>  | Hong Kong                    | 303407823                 | Zhong Ao Property        | 16, 35, 36, 45 | May 14, 2015               |
| <b>中奥物管</b>   | PRC                          | 12120321                  | Zhong Ao Property        | 35             | January 29, 2013           |

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| <u>Trademark</u>  | <u>Place of registration</u> | <u>Application number</u> | <u>Name of applicant</u> | <u>Class</u>          | <u>Date of application</u> |
|---|------------------------------|---------------------------|--------------------------|-----------------------|----------------------------|
| 爱到家   | PRC                          | 16533177                  | Zhong Ao Property        | 9, 35, 36, 38, 41, 42 | March 20, 2015             |
|    | PRC                          | 14495343                  | Guangzhou Daojia         | 9                     | April 30, 2014             |
|    | PRC                          | 16420207                  | Guangzhou Maiyue         | 36                    | February 27, 2015          |
|    | PRC                          | 16420208                  | Guangzhou Maiyue         | 45                    | February 27, 2015          |
|    | PRC                          | 16420141                  | Guangzhou Maiyue         | 38                    | February 27, 2015          |
|    | PRC                          | 16420020                  | Guangzhou Maiyue         | 35                    | February 27, 2015          |
|   | PRC                          | 16420056                  | Guangzhou Maiyue         | 9                     | February 27, 2015          |
|  | PRC                          | 16420039                  | Guangzhou Maiyue         | 42                    | February 27, 2015          |

(b) *Copyright*

As of the Latest Practicable Date, our Group was the registered proprietor of the following copyrights which are material to our business.

| <u>Copyright name</u>  | <u>Place of Registration</u> | <u>Registration No.</u>                                 | <u>Owner</u>      | <u>Date of Registration</u> |
|--|------------------------------|---|-------------------|-----------------------------|
| 白金管家logo the logo of Baijin Guangjia   | PRC                          | 00153908  | Zhong Ao Property | October 13, 2014            |
| 鄰里生活物業服務移動客戶端軟件 the mobile client software for property services of Linli Life | PRC                          | 軟著登字第 0934749號<br>Ruan Zhu<br>Deng Zi<br>No.<br>0934749 | Guangzhou Maiyue  | March 18, 2015              |



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| <u>Copyright name</u>         | <u>Place of Registration</u> | <u>Registration No.</u>     | <u>Owner</u>     | <u>Date of Registration</u> |
|-------------------------------|------------------------------|-----------------------------|------------------|-----------------------------|
| 鄰里生活圖案 the logo of Linli Life | PRC                          | 國作登字<br>2015-F-<br>00191014 | Guangzhou Maiyue | April 15, 2015              |

*(c) Domain names*

As of the Latest Practicable Date, our Group was the registered proprietor of the following domain names which are material to our business:

| <u>Domain name</u>                        | <u>Registrant</u> | <u>Registration date</u> | <u>Expiry date</u> |
|---|-------------------|--------------------------|--------------------|
| gdzawy.com <sup>(Note)</sup>              | Zhong Ao Property | June 7, 2008             | June 7, 2017       |
| buckinghambutler.com <sup>(Note)</sup>    | Zhong Ao Property | January 12, 2009         | January 12, 2016   |
| buckinghambutler.com.cn <sup>(Note)</sup> | Zhong Ao Property | January 12, 2009         | January 12, 2016   |
| daojiafuwu.com <sup>(Note)</sup>          | Guangzhou Daojia  | April 4, 2014            | April 4, 2015      |
| e-llsh.cn <sup>(Note)</sup>               | Guangzhou Maiyue  | August 27, 2014          | August 27, 2017    |
| e-llsh.com.cn <sup>(Note)</sup>           | Guangzhou Maiyue  | August 27, 2014          | August 27, 2017    |
| e-llsh.com <sup>(Note)</sup>              | Guangzhou Maiyue  | August 27, 2014          | August 27, 2017    |
| e-llsh.net <sup>(Note)</sup>              | Guangzhou Maiyue  | August 27, 2014          | August 27, 2017    |
| 鄰里生活.com <sup>(Note)</sup>                | Guangzhou Maiyue  | August 23, 2014          | August 23, 2017    |

*Note:* Information contained in the website does not form part of this document.

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**6. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

**A. Disclosure of Interests**

*(a) Disclosure of interests of Directors and chief executive*

So far as our Directors are aware, immediately following completion of the [REDACTED] and the [REDACTED] without taking into account the options which may be granted under the [REDACTED] and the Share Option Scheme, the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein will be as follows.

| <u>Name of Directors/chief executive</u> | <u>Company/ associated corporation</u> | <u>Capacity/ Nature of Interest</u>  | <u>Number of shares</u> | <u>Approximate percentage of shareholding</u> |
|--|--|--|-------------------------|---|
| <i>Our Company</i>                       |  |  |                         |   |
| Mr. Liu                                  | Our Company                            | Founder of discretionary trust, interest of controlled corporation <i>(Note 2)</i> | [REDACTED]              | [REDACTED]                                    |
| Mr. Wei Zhe                              | Our Company                            | Interest of controlled corporation <i>(Note 3)</i>                                 | [REDACTED]              | [REDACTED]                                    |
| <i>Associated corporation</i>            |  |  |                         |   |
| Mr. Liu                                  | Qichang                                | Founder of discretionary trust, interest of controlled corporation <i>(Note 2)</i> | [REDACTED]              | [REDACTED]                                    |

*Notes:*

- (1) The letter “L” denotes long position in the Shares or the relevant associated corporation; and
- (2) Dawngate holds 40% of the issued share capital of Qichang and is taken to be interested in all the shares of Qichang and all the Shares held by Qichang for the purposes of the SFO. The issued share capital of Dawngate is held as to as to 15% by Mr. Liu and 85% by Hilton Assets (PTC) Limited as trustee of the Liu Family Trust. Being the settlor of the Liu Family Trust, Mr. Liu is taken to be interested in all the Shares that the Liu Family Trust is interested under the SFO.
- (3) Central Oscar is held as to approximately 95.5% and 4.5% by Vision Knight Capital (China) Fund II, L.P. and Vision Knight Capital (China) Entrepreneur Fund II, L.P. respectively, both of which are managed by VKC, an exempted limited partnership registered under the laws of the Cayman Islands, the general partner of which is VKC (China) GP II Ltd. VKC (China) GP II Ltd. is wholly-owned by VKC Cayman II Ltd. Both of VKC (China) GP II Ltd and VKC Cayman II Ltd are limited companies incorporated under the laws of the Cayman Islands. VKC Cayman II Ltd is owned as 50% by Mr. Wei Zhe and 50% by Mr. Zhu Daming. Under the SFO, each of VKC, VKC (China) GP II Ltd, VKC Cayman II Ltd, Mr. Wei Zhe and Mr. Zhu Daming is deemed to be interested in the [REDACTED] Shares held by Central Oscar.

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**(b) Disclosure of interests of Substantial Shareholders**

To the best of the knowledge of our Directors, the following person(s) will, immediately after the completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised), have an interest or short position in the Shares or underlying shares which are required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company or any other members of our Group.

| <u>Name of shareholder</u>    | <u>Company/ associated corporation</u> | <u>Capacity/ Nature of interest</u>  | <u>Number of Shares</u> | <u>Approximate percentage of shareholding</u> |
|-------------------------------|--|--|-------------------------|---|
| <i>Our Company</i>            |  |  |                         |   |
| Mr. Liu                       | Our Company                            | Founder of discretionary trust, interest of controlled corporation <sup>(Note 1)</sup> | [REDACTED]              | [REDACTED]                                    |
| Hilton Assets (PTC) Limited   | Our Company                            | Trustee <sup>(Note 1)</sup>  | [REDACTED]              | [REDACTED]                                    |
| Dawngate                      | Our Company                            | Interest of controlled corporation <sup>(Note 2)</sup>                                 | [REDACTED]              | [REDACTED]                                    |
| Qichang                       | Our Company                            | Beneficial owner   | [REDACTED]              | [REDACTED]                                    |
| Central Oscar                 | Our Company                            | Beneficial owner   | [REDACTED]              | [REDACTED]                                    |
| VKC                           | Our Company                            | Interest of controlled corporation <sup>(Note 3)</sup>                                 | [REDACTED]              | [REDACTED]                                    |
| Decision Holdings             | Our Company                            | Beneficial owner   | [REDACTED]              | [REDACTED]                                    |
| Hengji                        | Our Company                            | Interest of controlled corporation <sup>(Note 4)</sup>                                 | [REDACTED]              | [REDACTED]                                    |
| <i>Associated corporation</i> |  |  |                         |   |
| Disai Holdings                | Ningbo Disai                           | Beneficial owner   | [REDACTED]              | [REDACTED]                                    |
| Jiusheng                      | Guangzhou Daojia                       | Beneficial owner   | [REDACTED]              | [REDACTED]                                    |
| Ms. Zhao                      | Guangzhou Maiyue                       | Beneficial owner   | [REDACTED]              | [REDACTED]                                    |

*Notes:*

- (1) The issued share capital of Dawngate is held as to 15% by Mr. Liu and 85% by Hilton Assets (PTC) Limited as trustee of the Liu Family Trust, a trust with Mr. Liu as founder and established in accordance with the laws of the Cayman Islands. The discretionary beneficiaries of the Liu Family Trust include Mr. Liu and immediate family members of Mr. Liu.

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- (2) Dawngate holds 40% of the issued share capital of Qichang and is taken to be interested in all the Shares held by Qichang for the purposes of the SFO. Each of Suiya, Signgain and Onsure, being the wholly-own investment holding company of Ms. Chen, Mr. Liang and Mr. Long respectively, holds 20% of the issued share capital of Qichang.
- (3) Central Oscar is held as to approximately 95.5% and 4.5% by Vision Knight Capital (China) Fund II, L.P. and Vision Knight Capital (China) Entrepreneur Fund II, L.P. respectively, both of which are managed by VKC, an exempted limited partnership registered under the laws of the Cayman Islands, the general partner of which is VKC (China) GP II Ltd. VKC (China) GP II Ltd. is wholly-owned by VKC Cayman II Ltd. Both of VKC (China) GP II Ltd and VKC Cayman II Ltd are limited companies incorporated under the laws of the Cayman Islands. VKC Cayman II Ltd is owned as 50% by Mr. Wei Zhe and 50% by Mr. Zhu Daming. Under the SFO, each of VKC, VKC (China) GP II Ltd, VKC Cayman II Ltd, Mr. Wei Zhe and Mr. Zhu Daming is deemed to be interested in the [REDACTED] Shares held by Central Oscar.
- (4) Decision Holdings is wholly-owned by Hengji, a limited partnership registered under PRC laws, the general partner of which is Yidezhaio, which is also a limited partnership registered under PRC laws. Yidezhaio is managed by Yubo, a limited company established in the PRC which is an indirect subsidiary of E-House. Under the SFO, each of Hengji, Yidezhaio and Yubo is deemed to be interested in the [REDACTED] Shares held by Decision Holdings.

### **B. Particulars of Directors' Service Contracts and Letters of Appointment**

#### *Executive Directors*

Each of the executive Directors, has entered into a service contract with our Company for an initial fixed term of three years commencing from the [REDACTED] renewable automatically until terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term or any time thereafter. Commencing from the [REDACTED], each of our executive Directors is entitled to an initial annual salary set out below, such salary to be reviewed annually by our Board and the remuneration committee of our Company. In addition, each of our executive Directors is entitled to such discretionary management bonus by reference to the consolidated net profits of our Group after taxation and minority interest but before extraordinary items as our Board and the remuneration committee of our Company may approve, provided that the relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board approving the amount of annual salary, management bonus and other benefits payable to him/her. The current basic annual salary of our executive Directors are as follows:

#### *Non-executive Directors*

The non-executive Directors have been appointed for a term of three years commencing from April 17, 2015 until terminated by not less than three months' notice in writing served by either the Company or the respective Director. Each of the non-executive Directors is entitled to a basic annual salary of HK\$120,000.

#### *Independent non-executive Directors*

The independent non-executive Directors have been appointed for a term of three years commencing from [●] renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of appointment subject to retirement by rotation and re-election at annual general meetings of our Company and until terminated by not less than 3 months' notice in writing served by either the Company or the respective Director. Our Company intends to pay a director's fee of HK\$180,000 per annum to the independent non-

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executive Directors. Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the Group within one year without the payment of compensation (other than statutory compensation)).

### C. Directors' Remuneration

During the Track Record Period, the aggregate of the remuneration (including salaries and allowance) paid and benefits in kind granted by our Group to the Directors for the years ended December 31, 2012, December 31, 2013, and December 31, 2014 was approximately RMB1,068,000, RMB1,116,000 and RMB1,137,000, respectively.

Under the arrangements currently in force, the aggregate emoluments (excluding any discretionary bonus, if any, payable to the Director) payable by our Group to and benefits in kind receivable by the Directors for the year ending December 31, 2015 is estimated to be approximately RMB3,930,000. None of the Directors or any past directors of any member of the Group has been paid any sum of money during the Track Record Period (i) as an inducement to join or upon joining the Company or (ii) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group. There has been no arrangement under which a Director has waived or agreed to waive any emoluments during the Track Record Period.

### D. Disclaimers

Save as disclosed in this document, as of the Latest Practicable Date:

- (a) and taking no account of any Shares which may be taken up or acquired under the [REDACTED] or any Shares which may be allotted and issued upon the exercise of the [REDACTED] or any options which have been or may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the [REDACTED] and the [REDACTED] will have an interest or short position in the Shares and 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 or who is, either 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 the general meetings of our Company or any other members of our Group;
- (b) none of our Directors and chief executive of our Company has for the purposes of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Appendix 10 of the Listing Rules once the Shares are listed on the Stock Exchange;

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- (c) none of our Directors nor the experts named in the paragraph headed “10. Other Information — G. Qualification of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, 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;
- (d) none of our Directors and Substantial Shareholders is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group or otherwise be interested in our five largest customers and/or five largest suppliers; and
- (e) Save for the Underwriting Agreements, none of the experts named in the paragraph headed “10. Other Information — G. Qualification of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

### 8. [REDACTED]

The following is a summary of the principal terms of the [REDACTED] approved by our Shareholders on April 20, 2015:

#### A. Summary of Terms

The purpose of the [REDACTED] is a share incentive scheme and is established to provide incentives and rewards to the employees and consultants of our Group for their future contribution and to retain key and senior employees of our Group.

The principal terms of the [REDACTED], approved by the written resolutions of our Shareholders passed on April 20, 2015, are substantially the same as the terms of the Share Option Scheme except for the following:

- (a) the exercise period shall commence on the first anniversary of the [REDACTED] and end on the day falling on the fifth anniversary of the [REDACTED];
- (b) the subscription price (the “**Subscription Price**”) for the Shares under the [REDACTED] will be fixed at HK\$1.72, determined with reference to the costs per Share acquired by the [REDACTED], subject to any adjustment made in the manner as contemplated under the [REDACTED];
- (c) the maximum number of Shares in respect of which options may be granted under the [REDACTED] will not exceed [REDACTED] Shares, representing [REDACTED] of the issued share capital upon completion of the [REDACTED] (taking no account of any Shares which may be issued upon exercise of any share option which may be granted under the Share Option Scheme);

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- (d) subject to the vesting periods and any performance targets that may be determined by the Board, any option granted under the [REDACTED] may be exercisable at anytime during the five years commencing on the date when the option was granted (the "Option Period"). Outstanding and unexercised options at the end of each vesting period may be rolled over to the next vesting period and exercisable during the Option Period;
- (e) no further options will be granted under the [REDACTED] after the [REDACTED], but in all other respects the provisions of the [REDACTED] shall remain in full force and effect to the exercise of any options granted.

### **B. Outstanding Options Granted Under the [REDACTED]**

As of the Latest Practicable Date, options to subscribe for an aggregate of [REDACTED] Shares (representing (i) approximately [REDACTED] of the total issued share capital of our Company immediately upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options granted under the [REDACTED] or may be granted under the Share Option Scheme) and (ii) approximately [REDACTED] of the total issued share capital of our Company immediately upon completion of the [REDACTED] and assuming that all options granted under the [REDACTED] are exercised at the same time (assuming the [REDACTED] is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme) have been granted by the Company under the [REDACTED] for nil consideration. Particulars of the options granted under the [REDACTED] to the employees of our Group are set out below.

Assuming that (i) our Company had been listed on the Stock Exchange since January 1, 2014 with [REDACTED] Shares in issue; and (ii) all the options granted under the [REDACTED] in respect of [REDACTED] Shares were exercised in full on January 1, 2014, this would have a dilution effect of approximately [REDACTED] on the earnings per Share for the year ended December 31, 2014.

### **C. Summary of Grantees**

As of the date of this document, the [REDACTED] to subscribe for an aggregate of [REDACTED] Shares have been granted to a total of 380 eligible participants by our Company under the [REDACTED].

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Particulars of the [REDACTED] granted to the grantees under the [REDACTED] are set forth below.

| <u>Grantee</u>    | <u>Position</u>  | <u>Address</u>  | <u>Number of Shares to be issued upon full exercise of the [REDACTED]</u> | <u>Approximate percentage of the issued share capital of our Company immediately after the completion of the [REDACTED]</u> |
|-------------------|--|---|---|---|
| <i>Directors</i>  |  |   |   |   |
| WEI Zhe (衛哲)      | Non-executive Director   | No. N51, Tomson Golf<br>1 Longdong Ave, Pudong Shanghai,<br>PRC   | [REDACTED]  | [REDACTED]  |
| LAM Yiu Por (林曉波) | Non-executive Director   | Flat D, 8/F, Block 3<br>Ocean Shores, Tseung Kwan O<br>New Territory, Hong Kong   | [REDACTED]  | [REDACTED]  |
| LIU Jian (劉建)     | Executive Director,<br>chairman, president<br>and chief executive<br>officer | Unit 1602, Block 1<br>District 1, Xi Ao Road<br>Southern Olympic Garden<br>Han Xi Avenue, Zhong Cun Street<br>Panyu, Guangzhou, Guangdong, PRC      | [REDACTED]  | [REDACTED]  |
| CHEN Zhuo (陳卓)    | Executive Director and<br>vice president                                     | Unit 102, Block 6<br>District 3, Bei Ao Er Road<br>Southern Olympic Garden<br>Han Xi Avenue, Zhong Cun Street<br>Panyu, Guangzhou<br>Guangdong, PRC | [REDACTED]  | [REDACTED]  |
| LIANG Bing (梁兵)   | Executive Director and<br>vice president                                     | Unit 1602, No.10 Huacheng Road<br>Tianhe District, Guangzhou,<br>Guangdong, PRC   | [REDACTED]  | [REDACTED]  |
| LONG Weimin (龍為民) | Executive Director and<br>vice president                                     | Unit 401, 1/F, Block 7<br>District 3, Bei Ao Yi Street<br>No. 100 Han Xi Avenue East<br>Panyu, Guangzhou, Guangdong, PRC                            | [REDACTED]  | [REDACTED]  |



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| <u>Grantee</u>  | <u>Position</u>                                      | <u>Address</u>   | <u>Number of Shares to be issued upon full exercise of the</u> | <u>Approximate percentage of the issued share capital of our Company immediately after the completion of the</u> |
|---|--|--|--|--|
|   |  |  | <u>[REDACTED]</u>  | <u>[REDACTED]</u>  |
| <i>Directors of our subsidiaries</i>  |  |  |  |  |
| ZHAO Shuguang<br>(趙樹廣)  | Deputy general manager of branch office              | Lianshui County, Huaian City<br>Jiangsu, PRC   | [REDACTED]   | [REDACTED]   |
| WANG Xuelin<br>(王學林)  | Procuring manager                                    | Room 202, No. 48, Beizhi Street,<br>Yuexiu District, Guangzhou, PRC                        | [REDACTED]   | [REDACTED]   |
| <i>Senior Management</i>  |  |  |  |  |
| LUO Tao (羅濤)  | Chief executive officer of our Hangzhou Yidao        | Unit 201, Block 2, Dahua Xixi<br>Fengqing, Wenyi Shequ, Yuhang,<br>Hangzhou, Zhejiang, PRC | [REDACTED]   | [REDACTED]   |
| CHAN Kong (陳剛)  | Vice president                                       | Flat 7, 7/F, Po On House<br>Kam On Court, Ma On Shan<br>New Territories, Hong Kong         | [REDACTED]   | [REDACTED]   |
| <i>Other Grantees who have been granted the [REDACTED] to subscribe for [REDACTED] Shares or more</i> |  |  |  |  |
| CENG Honghui<br>(曾紅輝)   | General manager of branch office                     | No. 6 Zeng House, Baiguo Town,<br>Macheng, Hubei, PRC                                      | [REDACTED]   | [REDACTED]   |
| LI Zhengyun<br>(李政雲)  | General manager of branch office                     | Development District, Rongjiang<br>Town, Xingan County<br>Guangxi, PRC                     | [REDACTED]   | [REDACTED]   |
| LEUNG Yik Man,<br>Lawrence (梁奕民)  | Senior manager                                       | 22A, Block 7, One Silversea, 18 Hoi<br>Tai Road, Tai Kok Tsui, Hong Kong                   | [REDACTED]   | [REDACTED]   |
| WEI Weijun (魏維軍)  | General manager of branch office                     | Wuyuan Town, Haiyan County,<br>Zhejiang, PRC   | [REDACTED]   | [REDACTED]   |
| XIANG Yan (項燕)  | Regional director of development and research center | No. 351 Cha Shan Road, Shangrao<br>Jiangxi, PRC  | [REDACTED]   | [REDACTED]   |

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| <u>Grantee</u>       | <u>Position</u>                                      | <u>Address</u>   | <u>Number of Shares to be issued upon full exercise of the</u> | <u>Approximate percentage of the issued share capital of our Company immediately after the completion of the</u> |
|----------------------|--|--|--|--|
|                      |  |  | <u>[REDACTED]</u>  | <u>[REDACTED]</u>  |
| XIONG Meng (熊猛)      | Regional director of development and research center | Xigong District, Luoyang, Henan, PRC   | [REDACTED]   | [REDACTED]   |
| LIU Haihua (劉海華)     | Regional director of development and research center | No. 859 Xinhua Street, Zongyang Town, Zongyang County, Anqing, Anhui PRC   | [REDACTED]   | [REDACTED]   |
| LI Muyan (黎木焱)       | Director of financial management center              | Unit 603, Ti 1, Block 13, District 3, Bei Ao Yi Road, Southern Olympic Garden, Han Xi Avenue, Zhong Cun Town, Panyu, Guangzhou PRC | [REDACTED]   | [REDACTED]   |
| LIU Yuanzhang (劉元章)  | Deputy general manager of branch office              | Xiliu Zu, Shuanghe Village, Zengdian Town, Yunmeng County, Hubei PRC   | [REDACTED]   | [REDACTED]   |
| GUO Qiangsheng (郭強生) | General manager of branch office                     | No.126 Guotai San Xiang, Chengzhong Culture neighborhood committee, Huaicheng Town, Huaiji County Guangxi, PRC                     | [REDACTED]   | [REDACTED]   |
| YANG Bin (楊斌)        | General manager assistant of branch office           | No. 18, Group 4, Guoxi Village, Longquan Town, Langzhong, Sichuan PRC  | [REDACTED]   | [REDACTED]   |
| YU Chun Hong (余鎮航)   | Company secretary                                    | Flat 16, 25/F Choi Tin House, Hing Tin Estate Lam Tin, Kowloon Hong Kong   | [REDACTED]   | [REDACTED]   |
| XU Ya (徐亞)           | Assistant to president                               | No.115 Ranmiao Xiangsuo Zhi Shu Ce Jiaoyu, Yingdong District, Fuyang, Anhui, PRC   | [REDACTED]   | [REDACTED]   |
| CHEN Lin (陳霖)        | General manager of branch office                     | Juweihui Jun Building, Donghuan Road. Bowang Town, Chenggu County, Shanxi, PRC   | [REDACTED]   | [REDACTED]   |

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| <u>Grantee</u>                  | <u>Position</u> | <u>Address</u> | <u>Number of Shares to be issued upon full exercise of the</u> | <u>Approximate percentage of the issued share capital of our Company immediately after the completion of the</u> |
|---------------------------------|-----------------|----------------|--|--|
|                                 |                 |                | [REDACTED]   | [REDACTED]   |
| <i>Remaining Other Grantees</i> |                 |                | [REDACTED]   | [REDACTED]   |
| <b>Total</b>                    |                 |                | <u>[REDACTED]</u>  | <u>[REDACTED]</u>  |

*Note:*

- (1) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue immediately following completion of the [REDACTED] and assuming that no [REDACTED] has been exercised.

Save and except as set out in the list above, no other options have been or will be granted or have been agreed to be granted by our Company under the [REDACTED]. The [REDACTED] is valid and effective upon the [REDACTED] after which no further options will be offered or granted.

Our Directors have agreed and undertaken that each of them will not exercise any options if, as a result of such exercise, our Company will not be able to comply with the public float requirements under Rule 8.08(1) of the Listing Rules.

**D. [REDACTED] for Shares to Be Issued under [REDACTED]**

All options were conditionally granted to the grantees on April 20, 2015. Application has been made to the Listing Committee for the [REDACTED] of, and permission to deal in, our Shares, which may fall to be issued pursuant to the exercise of the options granted under the [REDACTED], on the Stock Exchange.

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### 9. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by our Existing Shareholders on [●].

For the purpose of this section, unless the context otherwise requires:

- “Board” means our board of Directors from time to time or a duly authorized committee thereof;
- “Eligible Person” means any full-time or part-time employee of our Company or any member of our Group, including any executive director, non-executive director and independent non-executive director, advisor and consultant of our Group;
- “Option” means an option to subscribe for Shares granted pursuant to the Share Option Scheme;
- “Option Period” means in respect of any particular Option, the period to be determined and notified by our Board to each Participant, which period may commence on a day on or after the date upon which the Option is accepted or deemed to be accepted in accordance with the Share Option Scheme but shall end in any event not later than 10 years from such date;
- “Other Schemes” means any other share option schemes adopted by our Group from time to time pursuant to which options to subscribe for Shares may be granted;
- “Participant” means any Eligible Person who accepts or is deemed to have accepted the offer of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Participant;
- “Shareholders” means shareholders of our Company from time to time;
- “Subsidiary” means a company which is for the time being and from time to time a subsidiary (within the meaning of section 2 of the Companies Ordinance) of our Company, whether incorporated in Hong Kong or elsewhere; and
- “Trading Day” means a day on which trading of Shares take place on the Stock Exchange.

#### (a) Purpose of the Share Option Scheme

The Share Option Scheme enables our Company to grant Options to the Eligible Persons as incentives or rewards for their contributions to our Group.

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### (b) Who May Join

Our Board may, at its absolute discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (d) below. Upon acceptance of the Option, the Eligible Person shall pay HK\$1.00 to our Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 28 days from the date on which the Option is granted.

### (c) Grant of Option

Any grant of Options must not be made after inside information has come to our knowledge until such inside information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company’s results for any year, half-year, quarter-year period or any other interim period (whether or not required under the Listing Rules), and (b) the deadline for our Company to publish an announcement of its results for any year, half-year, quarter-year period or any interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of results announcement. Our Directors may not grant any Option to an Eligible Person who is our Director during the periods or times in which directors of the listed issuer are prohibited from dealing in shares pursuant to Appendix 10 prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

The total number of Shares issued and to be issued upon exercise of the Options granted to a Participant under the Share Option Scheme and Other Schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time, and provided that if approved by Shareholders in general meeting with such Participant and his associates abstaining from voting, our Company may make a further grant of Options to such Participant (the “**Further Grant**”) notwithstanding that the Further Grant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted under the Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares in issue from time to time. In relation to the Further Grant, our Company must send a circular to the Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant under the Share Option Scheme and Other Schemes) and the information required under the Listing Rules. The number and terms (including the exercise price) of Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders’ meeting and the date of meeting of our Board for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the relevant subscription price.

### (d) Price of Shares

The subscription price for the Shares subject to Options will be a price determined by our Board and notified to each Participant and shall be the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the Options, which must be a Trading Day; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options; and

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(iii) the nominal value of a Share. For the purpose of calculating the subscription price, in the event that on the date of grant, our Company has been listed for less than five Trading Days, the new issue price per Share under the [REDACTED] of Shares in connection with such [REDACTED] shall be used as the closing price for any Trading Day falling within the period before the [REDACTED].

### (e) Maximum Number of Shares

- (i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed [REDACTED] of the Shares in issue as of the [REDACTED] (the "**Scheme Mandate Limit**") provided that the Options lapsed in accordance with the terms of the Share Option Scheme or Other Schemes will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of [REDACTED] Shares in issue on the [REDACTED], the Scheme Mandate Limit will be equivalent to [REDACTED] Shares, representing [REDACTED] of the Shares in issue as at the [REDACTED].
- (ii) Subject to the approval of Shareholders in general meeting, our Company may refresh the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. In relation to the Shareholders' approval referred to in this paragraph (ii), our Company shall send a circular to the Shareholders containing the information required by the Listing Rules.
- (iii) Subject to the approval of Shareholders in general meeting, our Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specifically identified by our Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this paragraph (iii), our Company shall send a circular to its Shareholders containing a generic description of the identified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Persons, an explanation as to how the terms of such Options serve the intended purpose and such other information required by the Listing Rules.
- (iv) Notwithstanding the foregoing, our Company may not grant any Options if the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and Other Schemes exceeds 30% of the Shares in issue from time to time.

### (f) Time of Exercise of Option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Board to each Participant provided that the period within which the Option must be exercised shall not be more than 10 years from the date of the grant of

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Option. The exercise of an Option may be subject to the administration of our Board whose decision as to all matters arising from or in relation to the Share Option Scheme as its interpretation or effect shall (save as otherwise provided herein) be final and binding on all parties to the Share Option Scheme.

### **(g) Rights Are personal to grantee**

An Option shall be personal to the Participant and shall not be assignable or transferable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favor of any third party over or in relation to any Option. Any breach of the foregoing by the Participant shall entitle our Company to cancel any Option or any part thereof granted to such Participant (to the extent not already exercised) without incurring any liability on our Company.

### **(h) Rights on Death**

If a Participant dies before exercising the Options in full, his or her personal representative(s) may exercise the Options in full (to the extent that it has become exercisable on the date of death and not already exercised) within a period of 12 months from the date of death, failing which such Options will lapse.

### **(i) Changes in Capital Structure**

In the event of any alteration in the capital structure of our Company while an Option remains exercisable, and such event arises from a capitalization of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of the share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares (without fractional entitlements) subject to the Options so far as unexercised, and/or the subscription price.

Except alterations made on a capitalization issue, any alteration to the number of Shares which is the subject of the Option and the subscription price shall be conditional on the auditors of our Company or an independent financial advisor appointed by our Company confirming in writing to our Board that the alteration is made on the basis that the proportion of the issued share capital of our Company to which a Participant is entitled after such alteration shall remain the same as that to which he or she was entitled before such alteration. No such alteration shall be made to the effect of which would be to enable any Share to be issued at less than its nominal value or which would result in the aggregate amount payable on the exercise of any Option in full being increased.

### **(j) Rights on Take-over**

If a general offer (whether by way of takeover offer, repurchase offer or scheme of arrangement or otherwise in like manner) has been made to all the Shareholders (other than the offeror and/or any persons acting in concert with the offeror), to acquire all or part of the issued Shares, and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Participant shall be entitled to exercise his or her outstanding Option in full or any part thereof within 14 days after the date on which such offer becomes or is declared unconditional. For the purposes of this sub-paragraph, "acting in concert" shall have the meaning ascribed to it under the Takeovers Code.

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### **(k) Rights on a Compromise or Arrangement**

- (i) If an application is made to the court (otherwise than where our Company is being voluntarily wound up), pursuant to the Companies Law or the Companies Ordinance, in connection with a proposed compromise or arrangement between our Company and our creditors (or any class of them) or between our Company and our Shareholders (or any class of them), a Participant may by notice in writing to our Company, within a period of 21 days after the date of such application, exercise his or her outstanding Option in full extent or to the extent specified in such note. Upon the compromise or arrangement becoming effective, all Options shall lapse except insofar as exercised. Notice of the application referred to herein and the effect thereof shall be given by our Company to all Participants as soon as practicable.
- (ii) In the event of a notice being given by our Company to our Shareholders to convene a general meeting for the purpose of approving a resolution to voluntarily wind up our Company when our Company is solvent, our Company shall on the day of such notice to each Shareholder or as soon as practicable, give notice thereof to all Participants. Thereupon each Participant shall be entitled to exercise all or any of his or her outstanding Options at any time no later than two business days prior to the proposed general meeting of our Company 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 referred to above, allot and issue the relevant Shares to the Participant credited as fully paid.

### **(l) Lapse of Option**

An Option shall lapse forthwith and not 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) subject to paragraphs (f) and (p), the expiry of the Option Period;
- (iii) the first anniversary of the death of the Participant;
- (iv) the commencement of the winding up of the Company;
- (v) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the date on which such member of our Group terminates the Participant's employment or removes the Participant from his or her office on the ground that the Participant has been guilty of misconduct, has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offense involving his or her integrity or honesty. A resolution of our Board or the board of directors of the relevant member of our Group to the effect that such employment or office has or has not been terminated or removed on one or more grounds specified in this sub-paragraph shall be conclusive;



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- (vi) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the expiry of a period of three months from the date of the Participant ceasing to be an employee or director of such member of our Group by reason of:
- (1) his or her retirement on or after attaining normal retirement age or, with the express consent of the Board in writing for the purpose of this sub-paragraph, at a younger age;
  - (2) ill health or disability recognized as such expressly by our Board in writing for the purpose of this sub-paragraph;
  - (3) the company by which he or she is employed and/or of which he or she is a director (if not our Company) ceasing to be a subsidiary of our Company;
  - (4) expiry of his or her employment contract or vacation of his or her office with such member of our Group such contract or office is not immediately extended or renewed; or
  - (5) at the discretion of our Board, any reason other than death or the reasons described in sub-paragraph (v) or (vi)(1) to (4);
- (vii) the expiry of any period referred to in paragraph (k) above, provided that in the case of paragraph (k)(i), all Options granted shall lapse upon the proposed compromise or arrangement becoming effective; and
- (viii) the date the Participant commits any breach of the provisions of paragraph(g).

### **(m) Ranking of Shares**

Shares allotted and issued upon the exercise of an Option will be subject to our Company's articles of association as amended from time to time and will rank *pari passu* in all respects with the fully paid or credited as fully paid Shares in issue on the date of such allotment or issue and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date, of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment or issue.

### **(n) Cancellation of Options Granted**

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be approved by the grantee concerned in writing. In the event that our Board elects to cancel any Options and issue new ones to the same grantee, the issue of such new Options may only be made with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit.

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### **(o) Period of Share Option Scheme**

The Share Option Scheme will be valid and effective for a period of ten years commencing on the [REDACTED], after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

### **(p) Alteration to and Termination of Share Option Scheme**

The Share Option Scheme may be altered in any respect by resolution of our Board except that, (a) any alteration to the advantage of the Participants or the Eligible Persons (as the case may be) relating to matters contained in Chapter 17 of the Listing Rules; and (b) any material alteration to the terms and conditions of the Scheme or any change to the terms of Options granted, except where the alterations take effect automatically under the existing terms of the Scheme, shall first be approved by the Shareholders in general meeting (with the Eligible Persons, the Participants and their associates abstaining from voting) provided that if the proposed alteration shall adversely affect any Options granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the consent or sanction of the Participants in accordance with the terms of the Share Option Scheme.

Our Company may, by ordinary resolution in general meeting, at any time terminate the operation of the Share Option Scheme before the end of its life and in such event no further Options will be offered but the provisions of the Share Option Scheme shall remain in all other respects in full force and effect in respect of Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant. Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to the Shareholders seeking approval for the new scheme to be established after such termination.

### **(q) Granting of Options to A Director, Chief Executive or Substantial Shareholder of Our Company or Any of Their Associates**

Where Options are proposed to be granted to a director, chief executive or Substantial Shareholder of our Company or any of their respective associates, the proposed grant must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).

If a grant of Options to a Substantial Shareholder or an independent non-executive Director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person under the Share Option Scheme or Other Schemes in any 12-month period up to and including the date of the grant (i) representing in aggregate 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue from time to time, and (ii) having an aggregate value, based on the closing price of the Shares at the date of the grant, in excess of HK\$5 million, then the proposed grant of Options must be approved by the Shareholders. All connected persons of our Company must abstain from voting at such general meeting. The circular must contain the information required under Rule 17.04(3) of the Listing Rules. In addition, Shareholders'

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approval as described above will also be required for any change in terms of the Options granted to an Eligible Person who is a Substantial Shareholder, an independent non-executive Director or any of their respective associates.

The circular must contain the following:

- (i) details of the number and terms of the Options (including the subscription price relating thereto) to be granted to each Eligible Person, which must be fixed before the relevant Shareholders’ meeting, and the date of Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the subscription price;
- (ii) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the Options in question) to independent Shareholders as to voting; and
- (iii) all other information as required by the Listing Rules. For the avoidance of doubt, the requirements for the granting of Options to a Director or chief executive (as defined in the Listing Rules) set out in this paragraph (q) do not apply where the Eligible Person is only a proposed Director or proposed chief executive.

### **(r) Performance Target**

The exercise of an Option may be subject to the achievement of performance target and/or any other conditions to be notified by our Board to each Participant, which our Board may in its absolute discretion determine.

### **(s) Conditions of Share Option Scheme**

The Share Option Scheme is conditional on (i) the passing of a written resolution to adopt the Share Option Scheme by all of our Existing Shareholders in general meeting; and (ii) the Stock Exchange granting approval for the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of Options.

As of the Latest Practicable Date, no Options have been granted or agreed to be granted by our Company under the Share Option Scheme.

Application has been made to the Stock Exchange for the [REDACTED] of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options granted under Share Option Scheme.

## **10. OTHER INFORMATION**

### **A. Tax and Other Indemnities**

The Controlling Shareholder (the “**Indemnifier**”) has entered into a deed of indemnity with and in favor of our Company (for itself and as trustee for each of its present subsidiaries) (being the material contract referred to in paragraph “5. Further information about our business — A. Summary of our material contracts” of this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, any taxation (including tax penalty, if any) falling on any member of our Group

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resulting from or by reference to any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the date on which the [REDACTED] becomes unconditional or any event, act or omission occurring or deemed to occur on or before such date whether alone or in conjunction with any other event, act, omission or circumstance whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

Under the deed of indemnity, the Indemnifier has also given indemnities to our Group on a joint and several basis in relation to the amount of any and all taxation which might be payable by any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the [REDACTED] or any event or transaction entered into or occurring on or before the [REDACTED].

The deed of indemnity does not cover any claim and the Indemnifier shall be under no liability under the deed of indemnity in respect of any taxation:

- (a) to the extent that provision has been made for such taxation in the consolidated audited accounts of our Company or the audited accounts of the relevant Group members up to December 31, 2014 (the "**Accounts**");
- (b) the taxation arises or is incurred as a result of a retrospective change in law and/or a retrospective increase of tax rates coming into force after the date on which the [REDACTED] becomes unconditional;
- (c) such claim for taxation or liability would not have arisen but for any act or omission of, or transaction by any member of our Group voluntarily effected (other than pursuant to a legally binding commitment created on or before the date on which the [REDACTED] becomes unconditional) without the prior written consent or agreement of the Indemnifiers; or
- (d) provision or reserve made for such taxation in the Accounts is established to be an overprovision or an excessive reserve.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries in the Cayman Islands or the BVI or Hong Kong, being jurisdictions in which one or more of the companies comprising our Group were incorporated.

### **B. Litigation**

Save as disclosed in the section headed "Business — Legal Proceedings and Compliance" in this document, as of the Latest Practicable Date, we are not involved in any material litigation, arbitration or administrative proceedings. So far as the Directors are aware, no such material litigation, arbitration or administrative proceedings are pending or threatened against any member of our Group.

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### C. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for the [REDACTED] of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document, including the [REDACTED] and any Shares which may fall to be allotted and issued pursuant to the [REDACTED] and the exercise of the [REDACTED] or any options which may be granted under the [REDACTED] and Share Option Scheme.

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

Our Company agreed to pay the Sole Sponsor an aggregate fee of HK\$5,200,000 as the sponsor to our Company for the [REDACTED]. Such sponsors' fee relates solely to services provided by the Sole Sponsor in the capacity of sponsor, and not other services which it may provide, such as, but without limitation, book building, pricing and underwriting. Our Company further agrees that (i) our responsibility for the said sponsors' fee is not contingent on the success or the final size of the [REDACTED]; and (ii) any termination of the agreement with the Sole Sponsor will not affect any accrued rights or obligations of both parties, including the duty to settle the said sponsors' fee.

### D. Compliance Advisor

In accordance with the requirements of the Listing Rules, our Company have appointed Southwest Securities (HK) Capital Limited as its compliance advisor to provide advisory services to our Company to ensure compliance with the Listing Rules for a 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 year commencing after the Listing Date or until the agreement is terminated, whichever is the earlier.

### E. Preliminary Expenses

Our estimated preliminary expenses are approximately HK\$85,800 and have been paid by our Company.

### F. Promoters

Our Company has no promoter.

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### G. Qualification of Experts

The qualifications of the experts, as defined under the Listing Rules, who have given reports, letter or opinions (as the case may be) in this document are as follows:

| <u>Name</u>                          | <u>Qualifications</u>   |
|--------------------------------------|---|
| Macquarie Capital Securities Limited | Licensed to conduct Type 1 (dealing in Securities), 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 |
| Deloitte Touche Tohmatsu             | Certified Public Accountant   |
| Jingtian & Gongcheng                 | PRC legal advisor   |
| Conyers Dill & Pearman               | Cayman Islands attorneys-at-law   |
| China Index Academy                  | Industry consultant   |
| iResearch Consulting Group           | Industry consultant   |

### H. Consents of Experts

Each of Macquarie Capital Securities Limited, Deloitte Touche Tohmatsu, Jingtian & Gongcheng, Conyers Dill & Pearman, China Index Academy and iResearch Consulting Group has given and has not withdrawn their respective written consents to the issue of this document with the inclusion of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included in this document the form and context in which they respectively appear.

### I. Binding Effect

This document shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

### J. Miscellaneous

- (a) Save as disclosed in this document, within the two years preceding the date of this document:
  - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash; and
  - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries;
- (b) 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;

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- (c) No founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
- (d) Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2014 (being the date to which the latest audited consolidated financial statements of our Group were made up);
- (e) There has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 24 months preceding the date of this document;
- (f) None of Macquarie Capital Securities Limited, Deloitte Touche Tohmatsu, Jingtian & Gongcheng, Conyers Dill & Pearman, China Index Academy and iResearch Consulting Group:
  - (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or
  - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of our Group;
- (g) No company within our Group is presently listed on any stock exchange or traded on any trading system;
- (h) Our Company has no outstanding convertible debt securities; and
- (i) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

### **K. Related Party Transactions**

Our Group entered into the related party transactions within the two years immediately preceding the date of this document as mentioned in note 39(a) of the “Accountants’ Report” in Appendix I to this document.

### **L. Bilingual Prospectus**

Pursuant to Rule 19.36(5) of the Listing Rules and section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this document are being published separately but are available to the public at the same time at each place where this document is distributed by or on behalf of our Company.

## **APPENDIX V**

## **DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION**

### **DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the [REDACTED];
- (b) the written consents referred to in the paragraph headed “Statutory and General Information — 10. Other Information — H. Consents of experts” in Appendix V to this document; and
- (c) a copy of each of the material contracts referred to in the paragraph headed “Statutory and General Information — 5. Further information about our business — A. Summary of our material contracts” in Appendix V to this document.

### **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Stevenson, Wong & Co. at 4th Floor, Central Tower, 28 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

- (a) the memorandum and articles of association of our Company;
- (b) the Accountants’ Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in “Appendix I — Accountants’ Report”;
- (c) [REDACTED];
- (d) the PRC legal opinions issued by Jingtian & Gongcheng, our PRC legal advisor, in respect of our general matters and property interests of the Group;
- (e) the letter prepared by Conyers Dill & Pearman summarizing certain aspects of Cayman Islands Company law referred to in Appendix IV to this document;
- (f) the material contracts referred to in the paragraph headed “Statutory and General Information — 5. Further information about our business — A. Summary of our material contracts” in Appendix V to this document;
- (g) the written consents referred to in the paragraph headed “Statutory and General Information — 10. Other Information — H. Consents of experts” in Appendix V to this document;
- (h) the service contracts and appointment letters referred to in the paragraph headed “Statutory and General Information — 6. Further information about our Directors and substantial shareholders and staff — (B) Particulars of Directors’ service contracts and Letters of appointment” in Appendix V to this document;
- (i) the Companies Law;



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**DOCUMENTS DELIVERED TO THE REGISTRAR OF  
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- (j) the [REDACTED];
- (k) the Share Option Scheme; and
- (l) the full list of all the grantees of the [REDACTED], containing all the details in respect of each option required under paragraph 10 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix I to the Listing Rules.