

BUSINESS

Overview

We are a reputable property management service provider in China focusing on mid- to high-end properties. In June 2017, we acquired Greenland Property Services, and, in August 2017, brought in Greenland Holdings as one of our strategic shareholders. Supported by Agile Group and Greenland Holdings, two industry leaders in property development, we operate under the two renowned brands, “雅居樂物業 (Agile Property Management)” and “綠地物業 (Greenland Property Services).” Our business covers a wide range of properties and provides customers with access to tailored quality services through a variety of channels, including our one-stop service platform.

We have provided property management services in China for almost 25 years and our extensive industry experience differentiates us from our competitors. In 2017, we were ranked 12th among the property management companies in China in terms of brand value and overall strength by China Real Estate Industry Association and China Real Estate Appraisal Center. In 2017, we were ranked 13th among the Top 100 Property Management Companies in terms of overall strength according to CIA. As of September 30, 2017, we provided property management services in 65 cities in China with a total GFA under management of approximately 76.2 million sq.m, and served more than one million property owners and residents.

We are committed to building “雅居樂物業 (Agile Property Management)” into a leading brand in China’s vacation property management industry. According to the CIA report, we were ranked first among the Top 100 Property Management Companies in terms of the total contracted GFA of vacation properties of 14.3 million sq.m. as of December 31, 2016. As of September 30, 2017, we provided management services for 17 vacation properties at various areas with development potential in Guangdong, Hainan, Yunnan and Hunan with a total GFA under management of approximately 5.6 million sq.m.

Our three business lines, namely, property management services, value-added services to non-property owners and value-added services to property owners, form an integrated service spectrum covering the entire value chain of property management.

- *Property management services* — We provide a wide range of property management services to property developers, property owners and residents and other property management companies, including, among others, security, cleaning, greening and gardening and repairs and maintenance services, with a focus on mid- to high-end residential properties (including vacation properties) and non-residential properties (including commercial properties, office buildings and multi-purpose complexes). We also provide consultancy services to local property management companies. We charge property management fees for property management services primarily on a lump sum basis, with a very small portion on a commission basis.
- *Value-added services to non-property owners* — We offer non-property owners (mainly property developers) a wide range of value-added services. For example, we provide property developers with sales assistance services (including visitor reception, display unit cleaning, security and maintenance and preliminary planning and design consultancy services) as well as advertising, property agency and home inspection services.
- *Value-added services to property owners* — We provide two types of value-added services, namely, resident services and property value management services, to property owners and residents. Our resident services include housekeeping, housing and shop

BUSINESS

brokerage, turnkey furnishing, smart home services, community travel agency and other bespoke professional services, leveraging offline property management services and online integrated one-stop service platform. Our property value management services focus on preserving and increasing the value of our property owners’ assets, such as parking space sales and arranging residential property leases.

Aiming to provide a wide assortment of lifestyle products and services and taking advantage of the increasing penetration and convenience of smart phones, we launched a one-stop service platform in May 2016 that integrates key mobile applications, including “A-Steward” (雅管家), “A-Business” (雅商家) and “A-Assistant” (雅助手), as well as “A-Steward” Wechat Public Account and offline services, including A-Living Experience Center (雅生活體驗中心). As of September 30, 2017, our “A-Steward” mobile application covered all of the residential properties under our management (other than those under Greenland Property Services’ management), and attracted more than 238,900 registered users and over 98,600 active users (being registered users who open the application at least once a calendar month). See “—Our One-Stop Service Platform” below for more details.

As a result of our efficient operation and quality services, our business grew steadily during the Track Record Period. In 2014, 2015 and 2016, our revenue was RMB826.1 million, RMB934.4 million and RMB1,244.7 million, respectively, representing a CAGR of 22.7%. In the nine months ended September 30, 2017, our revenue was RMB1,168.9 million, representing an increase of 34.1% as compared with the same period of 2016. In 2014, 2015 and 2016, our net profit was RMB46.7 million, RMB72.0 million and RMB169.0 million, respectively, representing a CAGR of 90.2%. In the nine months ended September 30, 2017, our net profit was RMB201.0 million, representing an increase of 57.5% as compared with the same period of 2016.

COMPETITIVE STRENGTHS

We believe the following strengths differentiate us from our competitors.

A first-mover with a competitive market position in the property management industry in China

We have been a property management service provider in China for approximately 25 years. We obtained the ISO9000 quality management system certification in 1999. In 2001, we became one of the first property management companies in China that obtained a Level One Property Management Qualification, the highest qualification level in China’s property management industry. In 2008, we began to provide property management services for the Hainan Clear Water Bay project which started our vacation property management business in China. We established internal service standard for vacation property management, and we are the only property management company invited by the Standardization Working Committee of China Property Management Association to draft the industry standards for vacation property management. We believe our participation in the development of industry standards for property management in China is a testament to our property management capabilities and our focus on service quality.

As a pioneer in China’s property management services industry, we continue to expand our business scale and improve the range and quality of our services through various measures

BUSINESS

(including via our one-stop service platform), aiming to provide a more convenient, efficient and comfortable community living experience to our property owners and residents. As of September 30, 2017, we had 118 branch offices and 23 regional offices (including nine regional offices of Greenland Property Services), covering 65 cities across China with a total GFA under management of approximately 76.2 million sq.m. As of the same date, more than 200 benchmark projects were at or above relevant provincial model standards through our management, and we provided services to more than one million owners and residents. Through the acquisition of Greenland Property Services in June 2017, we entered Jinan, Wuhan, Hangzhou, Shijiazhuang and Dongguan and strengthened our presence in the existing markets of Shanghai, Beijing and Guangdong. As a result of the acquisition, our total GFA under management increased by 2.0 million sq.m. to 76.2 million sq.m. as of September 30, 2017.

Our competitive market position is also evidenced by our numerous industry accolades. In 1995, our Zhongshan Agile Garden Community was awarded the “National Model Residential Community of Urban Property Management” by the Ministry of Housing and Urban-Rural Development of China. In 2017, we were ranked 12th among the property management companies in China in terms of brand value and overall strength by China Real Estate Industry Association and China Real Estate Appraisal Center. In 2017, we were ranked 13th among the Top 100 Property Management Companies in terms of overall strength by CIA and were elected the third rotating chairman of “Property Management (Quality Residence) Enterprise Alliance” (物業管理 (品質住宅) 企業聯盟) in 2016. In 2017, we were awarded the “Top 100 Quality of Services Leading Enterprises in PRC Property Service” by CIA. Please refer to “—Awards and Recognition” below for more information about our awards and honors.

Competitiveness enhanced by the support from Agile Group and Greenland Holdings, our two major shareholders

Agile Group, our controlling shareholder, is an integrated conglomerate in China focusing on mid- to high-end property development. Agile Group is also engaged in environmental protection, construction and hotel operations. Our historical relationship with Agile Group has enabled us to become a reputable property management service provider in China with a focus on mid- to high-end properties.

In June 2017, we established a strategic alliance with Greenland Holdings, a Fortune Global 500 Company. We acquired Greenland Property Services in June 2017, and Greenland Holdings has become our long-term strategic shareholder, holding a 20% equity interest in our Company since August 2017. We have agreed to cooperate with Greenland Holdings in areas including property management, community value-added services, advertising, property agency and home inspection.

Our strategic alliance with Greenland Holdings and our association with the two well-known domestic brands, “雅居樂物業 (Agile Property Management)” and “綠地物業 (Greenland Property Services),” are of strategic significance to us in the following aspects:

- *Increase in business scale* — we obtained a GFA under management of approximately 1.5 million sq.m through the acquisition of Greenland Property Services, including large high-end commercial complexes such as Wuhan Greenland Center. Greenland Holdings also agrees, to the extent permitted by law, to endeavor to engage us to manage a GFA of not less than 7.0 million sq.m. per annum of properties it develops, and to give us priority when selecting property management service providers for an additional GFA of 3.0 million sq.m. per annum of properties it develops, during the period from January 1,

BUSINESS

2018 to December 31, 2022. In addition, according to the investment cooperation framework agreement, Greenland Holdings has agreed to support us in property management and various community value-added services, including community finance, smart home services, elderly care and telemedical services, which will help to diversify our operating revenues.

- *Improvement in market coverage* — Greenland Holdings’ property development projects have a national coverage, while our market is mainly concentrated in South China. As a result of our acquisition of Greenland Property Services, we are able to cover more geographic areas. Greenland Holdings has recently successfully entered overseas markets, including the US, the UK, Canada and Australia. We believe the overseas coverage of Greenland Holdings’ projects will provide us with opportunities for the international expansion of our property management services, the compliance with international standards and our brand awareness.
- *Enrichment of product portfolio* — The projects developed by Greenland Holdings cover residential and high-rise office buildings, multi-purpose complexes, hotels, business complexes at high-speed rail stations and industrial parks, which will help us to expand our property portfolio, enhance our ability to provide integrated property services and build ourselves into a large comprehensive property management company.
- *Expansion of mid- to high-end customer base* — Greenland Holdings focuses on developing mid- to high-end residential and commercial complexes. We believe that the strategic alliance with Greenland Holdings will enable us to continue to expand our mid- to high-end customer base.
- *Integration of value-added service offerings* — Greenland Holdings devotes significant efforts to other industry sectors, including infrastructure, finance and consumption businesses. Greenland Overseas Holdings Group leverages advantages in both traditional finance and innovative finance to provide comprehensive financial services. Greenland’s Consumption Group is developing G-Super, a consumer goods sales network that introduces high quality imported goods from around the world to high-end customers in Chinese cities. Since its establishment two years ago, Greenland’s Consumption Group has distributed over 8,000 types of high-quality imported goods from overseas. The introduction of these services through our one-stop service platform will help improve the life experience of property owners and residents and further promote the development of our value-added services to property owners and residents.

Dual-brand strategy of “雅居樂物業 (Agile Property Management)” and “綠地物業 (Greenland Property Services)” standing for excellent service quality and management capabilities

According to the CIA Report, our brand, “Agile Property Management”, had a brand value of approximately RMB3 billion as of December 31, 2016. In 2017, we were awarded the “Leading Brand Enterprise for Property Service Operation in China” and “Top 100 Quality of Services Leading Enterprises in PRC Property Service.”

In June 2017, we acquired Greenland Property Services and started our strategic alliance with Greenland Holdings. Since then, we adopted a dual-brand, “Agile” and “Greenland,” strategy. To leverage Greenland Holdings’ market advantage, reputation and resources in the development of residential properties and commercial properties (particularly high-rise office buildings such as the Wuhan Greenland International Financial City) and Agile Property

BUSINESS

Management’s brand recognition and extensive experience in the management of vacation properties and large-scale residential properties, we are able to build ourselves into a benchmark enterprise in both commercial and residential property management, which would further enhance our brand awareness and scale of business. The dual brand strategy also demonstrates the benefit of having two major shareholders, Agile Group and Greenland Holdings.

We have developed and implemented stringent quality control procedures to ensure that our services adhere to our high quality standards. We have obtained certification from the International Organization for Standardization, namely, ISO9001:2008 quality management system certification, ISO14001:2004 environmental management system certification and OHSAS18000:2007 occupational health and safety management system certification. These certifications are a testament for the compliance with international standards of our service quality and procedures. To ensure our service quality, we have also set stringent standards and procedures for the selection of subcontractors. According to the result of a sample survey conducted by CIA in 2016 regarding the customer satisfaction for our property services in 69 projects nationwide, we received an overall satisfaction score of 81.6, higher than the industry average score of 73.4.

Due to our quality service and wide recognition in the industry, we are able to charge higher property management fees than the industry average and maintain a high contract renewal rate. In 2016, our average property management fee for residential properties was approximately RMB2.94/sq.m./month, while according to the CIA Report, the industry average property management fee for urban residential properties was RMB2.31/sq.m./month in 2016. In 2014, 2015, 2016 and the nine months ended September 30, 2017, our contract renewal rate (being the number of renewed property service contracts in the year divided by the number of property service contracts which expire in the same year) was 100.0%, 100.0%, 98.0% and 98.1%, respectively.

An expert in vacation property management and a pioneer in large-scale property management

We have strived to be a leader in the vacation property management sector in China. Agile Group has strategically and proactively selected well-known tourist destinations (AAAA level and above⁽¹⁾) located in Guangdong, Hainan, Yunnan and Hunan to develop vacation properties. Vacation properties are different from traditional residential projects in that they integrate tourism, residence and recreation purposes. Capitalizing on Agile Group’s strength in vacation property development, we have successfully developed a vacation property management business model. We have provided property management services for Hainan Clear Water Bay, a landmark project, since 2008. After almost 10 years of management, we have developed a number of featured services, including property management services for owners who live in their properties, management services for properties for investment purposes as well as custodial services for

Note:

- (1) Tourist Attraction Rating Categories of China (旅遊景區質量等級) is a rating system used by the Chinese authorities to determine the quality of the attraction relative to its peers in terms of safety, cleanliness, sanitation and transportation. It is divided into five categories which are A (or 1A, the lowest level), AA (2A), AAA (3A), AAAA (4A) and AAAAA (5A, the highest level).

BUSINESS

unoccupied properties. In 2013, Hainan Clear Water Bay Gold Guoling Community (海南清水灣金色果嶺住宅小區) was awarded “National Model Community for Property Management for the Year of 2012” by the Ministry of Housing and Urban-Rural Development of the PRC. Leveraging our experience in Hainan Clear Water Bay, we have replicated the business model to other vacation properties. As of September 30, 2017, we provided management services for 17 vacation property projects at various areas with vacation business development potential in China with a total GFA under management of approximately 5.6 million sq.m. According to the CIA Report, we were ranked first among the Top 100 Property Management Companies in terms of the contracted GFA of vacation properties, of approximately 14.3 million sq.m. as of December 31, 2016.

According to the CIA Report, in 2016, the scores for overall satisfaction for our vacation property management services were ranged from 76 to 91, higher than the industry average of 73.4. In 2014, 2015, 2016 and the nine months ended September 30, 2017, the revenue from vacation property management accounted for approximately 24.9%, 30.2%, 22.3% and 24.2%, respectively, of our total revenue from property management services; and the average management fees for our vacation properties were RMB4.19/sq.m./month, RMB4.04/sq.m./month, RMB4.07/sq.m./month and RMB4.11/sq.m./month, respectively, for the same periods. In 2017, we were awarded the “Leading Enterprise in Featured Property Services in China — Leading Brand in Vacation Property Management” by CIA. In 2017, we were the only property management company invited by the Standardization Working Committee of China Property Management Association to draft the industry standards for vacation property management.

We are not only an expert in vacation property management, but also a pioneer in large-scale property management. As of September 30, 2017, 12 projects under our management each exceeded a million sq.m. in GFA. Due to its complexity, large-scale property management typically has higher requirements for the qualification of the service providers and their service quality. The diversity of large-scale properties gives rise to greater demands for value-added services, which in turn helps property management companies expand their sources of revenue.

Diversified in property management portfolio, operating revenue streams and service offerings

We have endeavored to further diversify our property management portfolio by extending our services to non-residential properties including shopping malls, office buildings, super high-rise buildings, multi-purpose complexes and hotels. The percentage of revenue from management services for non-residential properties to our total revenue from property management services increased from 1.9% in 2014 to 17.5% in 2016, and remained relatively stable in the nine months ended September 30, 2017 as compared to that in the nine months ended September 30, 2016.

In addition to traditional property management services, we provide various products, channels and resources to offer property owners one-stop solutions covering all key stages of home ownership from house purchase, house delivery, home inspection to moving-in, as well as value-added community services. In particular, we provide (i) resident services, including household appliances maintenance and repair, housekeeping and cleaning, decoration and turnkey furnishing, purchase assistance, wedding planning and travel services, and (ii) property value management services, such as parking space sales and leases of vacant properties. In respect of serving property developers, we offer a series of comprehensive supporting services

BUSINESS

to meet property developers’ needs at the stages of preliminary development, construction and subsequent marketing of their property development projects.

We believe that the provision of diversified operating services will improve customers’ satisfaction and loyalty and increase our profitability. According to the CIA Report, in 2016, we were ranked sixth among the Top 100 Property Management Companies and the second among the top 100 property management companies in South China in terms of revenue from multiple operating services.

Integrated and convenient one-stop service platform

We have established a one-stop service platform that integrates offline resources with an online platform and mobile applications.

For our online platform, we have launched three mobile applications — “A-Steward” (雅管家), “A-Business” (雅商家) and “A-Assistant” (雅助手) as well as “A-Steward” (雅管家) WeChat public account in May 2016. For our offline channels, we also established A-Living Experience Centers. For details, please refer to “—Our One-stop Service Platform” below.

Our one-stop service platform enables us to render services in response to various customer needs. It mainly covers four aspects of everyday life of property owners and residents:

- *property services* — through the mobile application, “A-Steward,” we provide a wide range of property services such as contacting a steward, making online payments and reporting repair requests. As of September 30, 2017, our “A-Steward” mobile application covered all of the residential properties under our management (excluding those under Greenland Property Services’ management), and attracted over 238,900 registered users and 98,600 active users (being registered users who open the application at least once a calendar month). Our “A-Business” mobile application had established cooperative relationships with vendors and business partners as of September 30, 2017.
- *community O2O life services* — these services cover e-commerce, housekeeping, express delivery, housing, cars and peripheral services.
- *customization services* — we provide customized travel plans, health checkup and elderly care services.
- *neighborhood cultural enrichment services* – through our platform, we are devoted to creating a caring neighborhood culture. Since our inception, we have organized a large number of community cultural activities, including sports days, neighborhood carnivals, family summer camps, elderly care and community spring festival galas for residents of the communities where our managed properties are located.

In March 2017, we launched “A-Steward Alliance” (雅管家聯盟), which is an offline network aiming to promote our one-stop service platform. Through the Alliance, we aim to establish a pool of local property management companies to promote our one-stop service platform, and a strong business relationship with certain qualified vendors to enhance the quality of our services and provide more choices for our clients. As of September 30, 2017, property management company members of the Alliance jointly managed a GFA of approximately 800 million sq.m., and 60 vendors and service providers had established strategic cooperation relationship with us.

BUSINESS

Management digitalization, service specialization, procedure standardization and operation automation

Focusing on management digitalization, service specialization, procedure standardization and operation automation, we provide consistent and cost-effective services to improve customer experience and generate sustainable profits.

- *Management digitization* — we have established a centralized control center at our Guangzhou headquarters, comprising a call center, an EBA control platform, a quality verification system, a video surveillance command system, a parking management system and other data integration control platforms, to realize visual monitoring of the service process and centralized management of our nationwide operations. Through the monitoring screens, we have real-time access to multi-dimensional data including basic information about communities, collection status of property management fees, feedback from customer services, and facilities and equipment maintenance. We can check the main scenes of the monitored communities in real time through the remote monitoring cameras. We allow for data interchange among various sub-platforms, and provide computation results of big data to the management to help with their decision making, and to “A-Assistant” to facilitate its services. In addition, we upgraded the parking lot gateway system to improve customer experience and increase the operation efficiency and revenue. In addition, through the digitization of our maintenance services information in our systems, members of our maintenance team can compete to respond to a service request order via “A-Assistant,” which further improved service efficiency and customer satisfaction.
- *Service specialization* — we focus our resources on key featured services, such as property asset management, maintenance and repair of facilities and equipment, customer service, preliminary consultancy, property acceptance and inspection, property delivery, on-site sale and model unit services. We make efficient use of our professional personnel and ensure the quality of our services, by sub-contracting some basic and labor-intensive property management services, including cleaning and greening and gardening, to selected qualified third-party contractors.
- *Procedure standardization* — we strive to improve our operating capabilities through “standardization.” Based on the information regarding the problems encountered in the management work collected by the property service centers, we revise and supplement existing procedures to ensure the improvement of our service quality. We updated and republished the “Agile Property Service Standardization Work Manual” in early 2017. We were also the only property management company invited by the Standardization Working Committee of China Property Management Association to draft the industry standards for vacation property management in 2017. We also standardized and upgraded our operation control platform to improve both quality and efficiency.
- *Operation automation* — according to the characteristics and needs of a property, we deploy cleaning and security equipment such as large sanitation trucks, self-balancing patrol vehicles and unmanned aerial vehicle to replace manual operation. Operation automation on the one hand helped us establish unified property service standard to ensure a consistent and high-quality service and on the other hand reduced labor costs and increased service efficiency.

BUSINESS

Experienced and professional management team as well as human resources policies designed to cultivate outstanding employees

Our professional management team and comprehensive human resources policies are the key to our past achievements. Our management team has abundant industry management experience in the property management and value-added services industry. Mr. Liu Deming, our executive Director and president, has over 25 years of experience in the property management industry and served in senior management positions at a number of property management companies in China. He also concurrently served as the vice chairman of the Chinese Property Management Industry Association, the secretary general of the Property Management Committee of China Association for Campus Management and a member of the National Technical Committee on Property Service of Standardization Administration of China. Mr. Liu is supported by a strong and experienced management team, all of whom have a strong understanding and passion for the property management industry in China. Our executive Directors and key senior management members have been instrumental to the success and growth of our business. For details about our senior management members, please see the section entitled “Directors, Supervisors and Senior Management” in this Document.

We adhere to a “people-oriented” philosophy, and have established a talent development system covering both internal training and external recruitment. We promote an employment philosophy of “hiring candidates who are capable, replacing employees of merely average standards and relieving employees who are incapable.” We promote a culture of all-rounded competition, and established a talent selection mechanism to achieve continuous human capital appreciation in our internal environment. We believe that our human resources policies can help build a cohesive corporate culture, which will not only attract diversified talent but also help retain key employees required for our business expansion.

BUSINESS STRATEGIES

We strive to build upon our market position in Beijing, Shanghai and Guangzhou to further expand our businesses nationwide and internationally. We are committed to becoming a comprehensive resident service management platform in China which embraces international standards. To that end, we intend to implement the following business strategies.

Further increase our business scale and market share

Focusing on providing management services for mid- and high-end properties, we intend to strengthen our businesses in strategic locations domestically and expand into the overseas market. To take advantage of our established market presence and the opportunities brought by rapid urbanization, growth of emerging cities and increasing purchasing power of ordinary households we aim to expand our market share in the cities where we already have a presence and gain a greater footing in China and enter into new domestic and overseas markets.

By laying a solid foundation in the 10 key cities and regions where our main managed properties are located in China including Beijing, Guangzhou, Zhongshan, Shenzhen, Nanjing, Shanghai, Xi'an, Chengdu, Hainan and Yunnan, we plan to evaluate and pursue opportunities selectively in surrounding cities and regions to achieve nationwide coverage. Moreover, leveraging our cooperation with Greenland Holdings, which have property development projects across China and key overseas markets, including the US, the UK, Canada and Australia, we are evaluating and pursuing opportunities in the property management industry overseas and

BUSINESS

plan to allocate business development resources to drive new growth through entering such markets in the future.

Expand our property management service portfolio by selectively pursuing strategic investment, acquisition and alliance opportunities

We believe that the property management industry in China today is fragmented and presents consolidation opportunities. In addition to growing our business through organic growth initiatives, we intend to explore selective strategic investment and acquisition opportunities to increase the depth and breadth of our service offerings and our managed property portfolio. In June 2017, we acquired Greenland Property Services and brought in Greenland Holdings as our strategic shareholder in August 2017. We plan to develop an in-depth strategic alliance with Greenland Holdings in a range of services, including property management, community value-added services, community finance, advertising, marketing and property agency. For more details, please see “—Competitive Strengths—Competitiveness enhanced by the support from Agile Group and Greenland Holdings, our two major shareholders” above.

We intend to continue to actively explore strategic investment and acquisition targets in both domestic and overseas markets, including quality property management companies and property management related businesses with technology or Internet elements, in order to increase the depth and breadth of our service offerings and managed property portfolio. The opportunities we intend to pursue include: (i) property management companies which have comparable market positions with our Company to ensure effective business integration; (ii) strategic alliances with, investments in and potential acquisitions of companies providing community products and services that are complementary to ours, to enhance our brand recognition, expand our services offering and improve our information technology; and (iii) the formation of property management funds and co-investments with business partners to expand business scale and geographical coverage within a short timeframe. Upon acquisition of a suitable target, we may either operate the new business under our existing brands, “雅居樂物業 (Agile Property Management)” and “綠地物業 (Greenland Property Services),” or retain the brand of the newly acquired company if it is well recognized in the local market.

To capture industry opportunities, we plan to allocate approximately [REDACTED]% of our net proceeds from the [REDACTED] towards strategic investments and acquisitions. As of the Latest Practicable Date, our Directors confirm that we had not identified any target company for acquisition.

Continue to develop our value-added services to non-property owners along the value chain

We plan to continue to develop our value-added services to non-property owners along the value chain. Unlike traditional property management companies, we plan to offer all-round services addressing the different stages and cycles of property development. These services cover product positioning consultation, sales management, marketing consultation, property agency, advertisement design, media placement and home inspection. We plan to provide value-added services to various stages of property development from the preliminary planning, the construction and development and the subsequent marketing, as well as the different demands arising after the delivery of properties.

BUSINESS

Develop diverse and differentiated value-added services to property owners to enhance property values and increase customer loyalty

In order to satisfy the increasingly diversified service demands, we will develop and provide more featured value-added services and enhance the overall community experience of property owners and residents. We will further improve our short term and long term lease services, non-standard accommodation management and other property value management services for the purpose of preserving and enhancing the value of properties. Leveraging our strengths in vacation property management and our one-stop service platform, we plan to develop custodial management services for vacant properties and short-term leasing services to help owners make better use of their idle vacation properties. In addition, we plan to commence community support and community medical services for the elderly in the near future as well as provide community financial services such as vehicle insurance products for the convenience of residents.

Further strengthen the implementation of management digitalization, service specialization, procedure standardization and operation automation

We are committed to using advanced technologies to improve customers' experience and enhance cost efficiency. We regularly review and improve our services continuously upgrade our technological levels, further standardize services and implement our service standards across all properties we manage. We plan to subcontract more on-site services to specialized third-party sub-contractors. As of September 30, 2017, we had completed automation and other equipment upgrades at a substantial number of the communities we manage. Upgrading of the remote monitoring system in 34 communities we manage and upgrading of the EBA systems in 13 communities have both been completed. Upgrading of carparks in 46 communities we manage will be completed in the first half of 2018. [We plan to continue to implement automation and upgrade equipment for an additional 24 communities we manage by the end of 2017.] We plan to complete the upgrade of carpark facilities in all of the residential communities next year by installing intelligent access control system at pedestrian as well as carpark entrances. To improve operational efficiency, we plan to purchase professional cleaning machinery equipment, continue to promote intelligent parking management systems and install surveillance cameras at public areas at communities we manage to reduce the required number of security guards, and establish a call center at the headquarters to replace the customer service physical reception desks. We are committed to achieving 24-hour, point-to-point direct contact between all property owners and residents and our control center. To achieve all these, we plan to invest approximately [REDACTED]% of our net proceeds from the [REDACTED] in enhancing our services by purchasing new equipment and facilities.

Continue to develop one-stop service platform to optimize our service experience

We will continue to devote resources to develop our one-stop service platform. First, we plan to continue to serve property developers, and increase the satisfaction of property owners and residents through the effective use of our platform, thereby enhancing customer loyalty. Second, we will continue to use the one-stop service platform to help small and medium-sized property management enterprises to improve their service quality and efficiency. Third, we will keep providing residents of properties under our management with more supplier options and better services. In addition, we intend to provide sales channels to more qualified suppliers, and offer them access to the one-stop service platform to reduce their costs and enhance their

BUSINESS

profitability. Moreover, we plan to bring together more business partners and explore opportunities to collaborate with potential partners in e-commerce, insurance, elderly care and financial services. Transformation of carpark operation is an example. Through our one-stop service platform, we obtain active platform users and their data, suppliers collect professional service fees, property owners enjoy a better parking experience, and small and medium-sized property management companies improve their management of carparks. As a result, a four-party win-win situation has been achieved. We will also make further efforts to promote the A-Steward Alliance to other property management companies so as to promote information and resource sharing and popularize our A-Steward platform while helping small and medium-sized property management companies to develop. As of September 30, 2017, our one-stop service platform covered all of the 158 projects we managed. [We plan to expand our one-stop service platform to cover, by the end of 2017, all projects managed by Greenland Property Services.]

OUR BUSINESS MODEL

During the Track Record Period, we generated revenue primarily from three business lines.

Property management services

We provide property developers, as well as property owners and residents with a wide range of property management services, primarily including security, cleaning, greening and gardening, repairs and maintenance services. Our portfolio of managed properties comprises (i) residential properties (including vacation properties), with a focus on mid- to high-end residential properties and (ii) non-residential properties including commercial properties (including shopping malls), office buildings (including high-rise buildings), multi-purpose complexes and hotels. During the Track Record Period, substantially all of our property management fees were charged on a lump sum basis, with only a very small portion charged on a commission basis. We also provide consultancy services to selected local property management companies, leveraging our industry-recognized expertise and reputation. Under our consultancy service arrangements, our employees provide on site consultation and advice to these local property management companies to help them to improve their services to their clients.

Value-added services to non-property owners

We offer a comprehensive range of property related business solutions to non-property owners, primarily property developers. These services primarily consist of sales assistance services which assist property developers in showcasing and marketing their properties, including display unit cleaning, security and maintenance, visitor management as well as preliminary planning and design consultancy services for property development projects. We also provide advertising, property agency and home inspection services to non-property owners.

Value-added services to property owners

Our value-added services to property owners aim to provide property owners and residents access to a wide range of products and services through a variety of channels (including our one-stop

BUSINESS

service platform) with the goal of improving their life quality and preserving and increasing the value of their properties as assets. We divide these services into two categories: (i) resident services, which focus on the daily needs of property owners and residents, and are provided both during the course of providing our property management services and through our one-stop service platform. Our main resident services include housekeeping, repair and maintenance of home appliances, turnkey furnishing, sale of food and other daily supplies, smart home system, asset custody, travel, group purchase and ticketing services; and (ii) property value management services, which focus on preserving and enhancing the value of our customers’ properties and include parking space sales and residential property lease services.

To enhance customer experience, we offer property management services and value-added services through our “A-Steward” (雅管家) and “A-Business” (雅商家) mobile applications directly to residents of our managed properties and suppliers and other third parties with whom we cooperate, respectively. The development of our one-stop service platform supports the integration of our three business lines and expand the reach of our offline services. See “—Our one-stop service platform” below.

The table below sets forth the breakdown of our total revenue by business line for the periods indicated:

	For the year ended December 31,						For the nine months ended September 30,					
	2014		2015		2016		2016		2017			
	(RMB in thousands)	(%)	(RMB in thousands)	(%)	(RMB in thousands)	(%)	(RMB in thousands) (Unaudited)	(%)	(RMB in thousands)	(%)		
Property management services . . .	595,030	72.0	690,729	73.9	977,863	78.6	675,381	77.5	898,192	76.8		
Value-added services provided to non-property owners	188,819	22.9	185,987	19.9	212,247	17.0	149,997	17.2	206,028	17.6		
Value-added services to property owners	42,250	5.1	57,696	6.2	54,625	4.4	46,432	5.3	64,648	5.6		
Total	826,099	100.0	934,412	100.0	1,244,735	100.0	871,810	100.0	1,168,868	100.0		

PROPERTY MANAGEMENT SERVICES

Overview

We have contracted to manage substantially all of the properties developed by Agile Group since 1993. In July 2015, we began to expand our business to manage properties developed by independent third party property developers. Our total GFA under management was approximately 24.4 million sq.m., 35.0 million sq.m., 50.1 million sq.m. and 76.2 million sq.m. (including the 2.0 million sq.m. GFA under Greenland Property Services’ management as a result of our acquisition of Greenland Property Services in June 2017), respectively, as of December 31, 2014, 2015 and 2016 and September 30, 2017. Revenue generated from property management services provided to properties developed by Agile Group amounted to RMB595.0 million, RMB690.3 million, RMB798.9 million, RMB553.0 million and RMB693.2 million, respectively, in 2014, 2015, 2016 and the nine months ended September 30, 2016 and

BUSINESS

2017, representing approximately 100.0%, 99.9%, 81.7%, 81.9% and 80.1%, respectively, of our revenue from property management services during the same periods.

The table below sets forth a breakdown of our total GFA under management as of the dates, and revenue from property management by property developer for the periods indicated:

	As of or for the year ended December 31,									As of or for the nine months ended September 30,					
	2014			2015			2016			2016			2017		
	GFA	Revenue		GFA	Revenue		GFA	Revenue		GFA	Revenue		GFA	Revenue	
	(sq.m.)	(RMB)	%	(sq.m.)	(RMB)	%	(sq.m.)	(RMB)	%	(sq.m.)	(RMB)	%	(sq.m.)	(RMB)	%
(Unaudited)															
(in thousands, except for percentages)															
Agile Group	24,427	595,030	100.0	29,527	690,334	99.9	34,280	798,862	81.7	33,783	553,044	81.9	41,411	719,673	80.1
Greenland Holdings	—	—	—	—	—	—	—	—	—	—	—	—	1,893	17,250	1.9
Third-party property developers ⁽¹⁾	—	—	—	5,520	395	0.1	15,775	179,001	18.3	11,582	122,337	18.1	32,880	161,269	18.0
Total	24,427	595,030	100.0	35,047	690,729	100.0	50,055	977,863	100.0	45,365	675,381	100.0	76,184	898,192	100.0

Note:

(1) Refer to property developers other than Agile Group and Greenland Holdings.

The table below sets forth a breakdown of our total GFA under management as of the dates, and total revenue by geographic region for the periods indicated:

	As of or for the year ended December 31,									As of or for the nine months ended September 30,					
	2014			2015			2016			2016			2017		
	GFA	Revenue	Revenue	GFA	Revenue	Revenue	GFA	Revenue	Revenue	GFA	Revenue	Revenue	GFA	Revenue	Revenue
	(sq.m.)	(RMB)	%	(sq.m.)	(RMB)	%	(sq.m.)	(RMB)	%	(sq.m.)	(RMB)	%	(sq.m.)	(RMB)	%
(Unaudited)															
(in thousands, except for percentages)															
Guangzhou region ⁽¹⁾	10,436	287,032	34.7	13,278	303,857	32.5	17,370	500,362	40.2	17,358	360,527	41.4	20,221	474,692	40.6
Zhongshan ⁽²⁾	8,437	286,804	34.7	13,994	302,183	32.3	16,486	324,453	26.1	13,927	234,966	27.0	16,259	273,497	23.4
Hainan and Yunnan region ⁽³⁾	2,261	129,509	15.7	3,274	187,716	20.1	4,832	199,851	16.0	4,501	134,926	15.5	5,046	187,859	16.1
Other regions ⁽⁴⁾	3,293	122,754	14.9	4,501	140,656	15.1	11,366	220,069	17.7	9,580	141,391	16.1	34,658	232,820	19.9
Total	24,427	826,099	100.0	35,047	934,412	100.0	50,055	1,244,735	100.0	45,365	871,810	100.0	76,184	1,168,868	100.0

Notes:

(1) Guangzhou region mainly includes Guangzhou, Foshan, Shunde, Shenzhen, Heyuan, Huizhou and Nanning.

(2) Zhongshan region mainly includes the urban area of Zhongshan, Sanxiang and Tanzhou.

(3) Hainan and Yunnan region mainly includes Sanya, Haikou, Wenchang, Ruili, Xishuangbanna, Tengchong and Lingshui.

(4) Others mainly include Beijing, Shanghai, Yangzhou, Wuxi, Nantong, Nanjing, Changzhou, Shenyang, Chengdu, Chongqing and Xi'an.

Our contracted GFA of undelivered properties for which we have entered into preliminary property management agreements with relevant property developers was approximately 20.5 million sq.m., 28.4 million sq.m., 23.4 million sq.m. and 25.9 million sq.m. (including properties Greenland Property Services contracted to manage) as of December 31, 2014, 2015 and 2016 and September 30, 2017, respectively.

BUSINESS

The table below sets forth the expiration schedule of our property management agreements for properties under our management (excluding the agreements entered by Greenland Property Services) as of September 30, 2017:

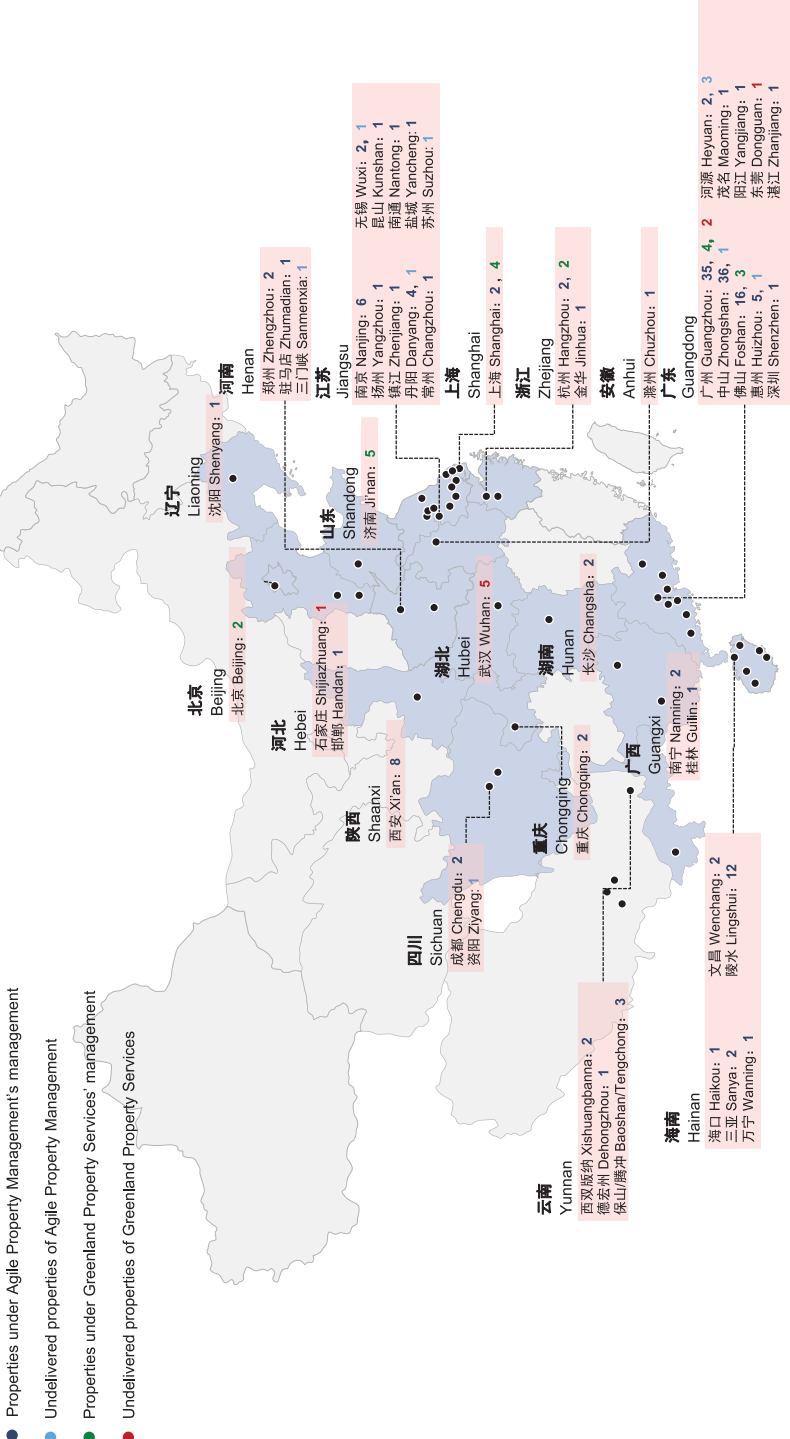
	<u>GFA under management</u> (in thousands, sq.m.)	<u>Number of agreements</u>
Property management agreements without fixed term	38,357	155
Property management agreements with fixed terms expiring in		
Year ending December 31, 2017	3,592	16
Year ending December 31, 2018	20,568	20
Year ending December 31, 2019	1,603	11
Year ending December 31, 2020 and beyond	10,084	24
Subtotal	35,846	71
Total	<u><u>74,203</u></u>	<u><u>226</u></u>

The table below sets forth the expiration schedule of the property management agreements of Greenland Property Services for properties under its management as of September 30, 2017:

	<u>GFA under management</u> (in thousands, sq.m.)	<u>Number of agreements</u>
Property management agreements without fixed term	1,886	32
Property management agreements with fixed terms expiring in		
Year ending December 31, 2017	—	—
Year ending December 31, 2018	—	—
Year ending December 31, 2019	11	1
Year ending December 31, 2020 and beyond	84	1
Subtotal	95	2
Total	<u><u>1,981</u></u>	<u><u>34</u></u>

Our Geographic Presence

Since the commencement of our business in 1993, we have expanded our geographic presence from Zhongshan to 65 cities in the PRC.



As of September 30, 2017, without taking into account Greenland Property Services, we had a total of 172 properties under management and contracted to manage 15 properties which had not been handed over for management. The acquisition of Greenland Property Services increased the number of our properties under management to 186 as of September 30, 2017.

BUSINESS

Scope of Services

We focus on providing (i) property management services such as security, cleaning, greening and gardening and repair and maintenance services to property owners and residents and property developers, and (ii) consultancy services to local property management companies. The property management services we provide can be grouped into the following categories:

- *Security services.* We aim to provide high-quality security services to ensure that the properties we manage are safe and well protected. We seek to enhance the quality of our security services through equipment upgrades. Daily security services provided by us include patrolling, electronic access control, video surveillance, carpark security, visitor management and emergency response. We delegate certain security services to third-party sub-contractors.
- *Cleaning, greening and gardening services.* We provide general cleaning, pest control, greening and gardening services to the properties we manage through our subsidiaries and third-party sub-contractors.
- *Repair and maintenance services.* We are generally responsible for the maintenance of the elevator systems, power supply and distribution systems, water supply and drainage systems, EBA systems, fire extinguishing systems, HVAC systems, buildings and ancillary facilities and equipment. We provide such services through our subsidiaries and third-party sub-contractors.
- *Consultancy services.* To expand our geographic presence, showcase our services and abilities, enhance our brand awareness and promote our one-stop service platform, we have selectively entered into consultancy services contracts with regional property management companies. Under such arrangements, these regional property management companies provide property management services at the relevant properties, and we provide consultation and advice to these regional property management companies such that they can leverage our experience and platform to improve the standard of their own operations and control their operational cost. As of September 30, 2017, we provided consultancy services to nine projects.

As of September 30, 2017, taking into account Greenland Property Services, we employed 11,796 on-site personnel to provide property management services and engaged 113 selected sub-contractors to provide certain property management services, mainly including cleaning, greening and gardening, repair and maintenance services.

Portfolio of Properties under Management

We manage a diversified portfolio of properties, comprising residential properties (including vacation properties) and non-residential properties, including commercial properties (including shopping malls), office buildings (including high-rise buildings), multi-purpose complexes and hotels. While residential properties have generated and will continue to generate the largest percentage of our revenue, we are attaching increasing importance to other types of properties as part of our endeavor to diversify our service offerings.

BUSINESS

The table below sets forth a breakdown of our total GFA under management as of the dates, and revenue generated from properties developed by type of property for the periods indicated:

	As of or for the year ended December 31,									As of or for the nine months ended September 30,					
	2014			2015			2016			2016			2017		
	GFA	Revenue		GFA	Revenue		GFA	Revenue		GFA	Revenue		GFA	Revenue	
	(sq.m.)	(RMB)	%	(sq.m.)	(RMB)	%	(sq.m.)	(RMB)	%	(sq.m.)	(RMB)	%	(sq.m.)	(RMB)	%
	(Unaudited)														
	(in thousands, except for percentages)														
Residential															
properties	24,282	583,786	98.1	34,701	673,744	97.5	48,783	806,655	82.5	44,238	524,788	77.7	56,505	699,957	77.9
Non-residential															
properties	145	11,244	1.9	346	16,985	2.5	1,272	171,208	17.5	1,127	150,593	22.3	19,679	198,235	22.1
Total	24,427	595,030	100.0	35,047	690,729	100.0	50,055	977,863	100.0	45,365	675,381	100.0	76,184	898,192	100.0

During the Track Record Period, we generated a significant portion of our revenue from management of residential properties. The total contracted GFA of residential properties managed by us grew rapidly from 24.3 million sq.m. as of December 31, 2014 to 56.5 million sq.m. as of September 30, 2017. We expect such growth in our GFA under management from residential property management service to be sustainable, as we continue to contract to manage properties developed by Agile Group, Greenland Holdings and independent third party property developers.

Among our residential properties, we are especially well recognized for management of vacation properties. We leverage Agile Group’s strength in vacation property development and have successfully developed a management model for vacation properties, offering tailored services, such as vacant property management and residential property leases. As of September 30, 2017, we managed a total of 17 vacation properties with an aggregate GFA under management of approximately 5.6 million sq.m., which represents approximately 7.3% of our total GFA under management as of the same date. According to CIA, we were ranked first among all property management companies in China in terms of the contracted GFA of vacation properties of 14.3 million sq.m. as of December 31, 2016. We had the total GFA of vacation properties under management of approximately 4.8 million sq.m. as of December 31, 2016. In recognition of our strength in vacation property management services, CIA awarded us as one of “China Leading Property Management Companies in terms of Featured Service — Leading Brand in Vacation Property Management (2017中國特色物業服務領先企業 — 旅遊地產物業管理領先品牌)” in 2017. See “—Management Digitalization, Service Specialization, Procedure Standardization and Operation Automation” in this document.

Some of the services we provide to vacation properties are as follows:

- *services relating to owners and residents* — such as elderly care services and services that help residents to make appointments for medical consultation; and
- *services relating to properties* — such as maintenance and cleaning of home furniture and appliances, custody and maintenance of vehicles, custody and management of vacant properties and residential property leases.

BUSINESS

In addition to our expertise in vacation property management, we also enjoy a reputation for large-scale property management in the industry. As of September 30, 2017, we managed 12 properties that each had an aggregate GFA of more than one million sq.m.

We endeavor to diversify our portfolio of properties under management by contracting to manage non-residential properties, such as commercial properties. For example, in 2016, we successfully agreed with Gaode to manage certain of their high-end commercial properties with GFA under management of 0.6 million sq.m. as of September 30, 2017. We believe that the experience and recognition we gain from managing such commercial properties will help us to obtain more contracts to manage commercial properties and other non-residential properties.

Property Management Fees

The revenue generated from our property management business was primarily charged on a lump sum basis during the Track Record Period. We also generated a limited amount of revenue on a commission basis during the Track Record Period. Our property management revenue generated from services charged on a lump sum basis accounted for approximately 98.4%, 98.1%, 97.8%, 97.7% and 97.8%, respectively, of our total revenue from property management services in 2014, 2015, 2016 and the nine months ended September 30, 2016 and 2017. Our property management revenue generated from services charged on a commission basis accounted for approximately 1.6%, 1.8%, 1.8%, 1.9% and 1.5%, respectively, of our total revenue from property management services for the same periods.

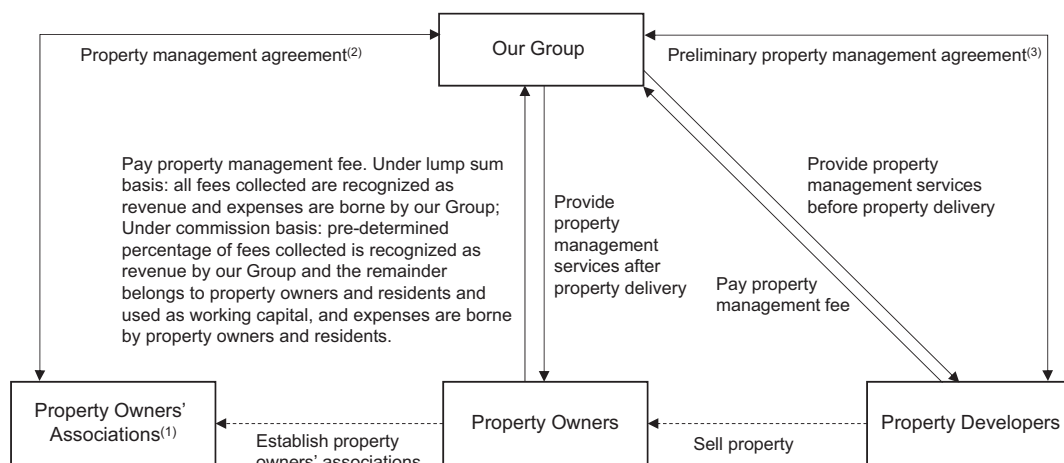
The following table sets forth a breakdown of our total GFA under management as of the dates and revenue from property management services by revenue model for the periods indicated:

	As of or for the year ended December 31,									As of or for the nine months ended September 30,					
	2014			2015			2016			2016			2017		
	GFA (sq.m.)	Revenue (RMB)	Revenue %	GFA (sq.m.)	Revenue (RMB)	Revenue %	GFA (sq.m.)	Revenue (RMB)	Revenue %	GFA (sq.m.)	Revenue (RMB)	Revenue %	GFA (sq.m.)	Revenue (RMB)	Revenue %
(in thousands, except for percentages)															
Lump sum															
basis	20,519	585,701	98.4	24,674	678,119	98.1	33,010	956,157	97.8	32,051	660,181	97.7	44,174	877,591	97.8
Commission															
basis	3,908	9,329	1.6	7,251	12,207	1.8	9,708	17,299	1.8	6,868	12,797	1.9	8,878	13,779	1.5
Consultancy															
fees	—	—	—	3,122	403	0.1	7,336	4,407	0.4	6,446	2,403	0.4	23,132	6,822	0.8
Total	24,427	595,030	100.0	35,047	690,729	100.0	50,055	977,863	100.0	45,365	675,381	100.0	76,184	898,192	100.0

We take into account a number of factors in determining whether to charge fees under lump sum basis or commission basis, including local regulations, property developers’ or property owners’ associations’ requirements, the local market condition and the nature and requirements of individual properties, on a case by case basis. We conduct assessments of our prospective customers by evaluating key factors such as the estimated costs of managing the property, historical fee collection rate, projected profitability as well as whether the property was previously managed under lump sum basis or commission basis. The assessment helps us determine whether to manage the property under lump sum basis or commission basis.

BUSINESS

The diagram below illustrates our relationships with various parties under our property management agreements and the major differences between lump sum basis and commission basis.



Notes:

- (1) A property owners' association is authorized by law to act on behalf of the property owners.
- (2) A property management agreement entered between a property owners' association and us is legally binding on all property owners in accordance with PRC laws.
- (3) A preliminary property management agreement entered between a property developer and us before the properties are delivered to property owners is legally binding on the future property owners in accordance with PRC laws.

Property Management Fees Charged on a Lump Sum Basis

Under a lump sum basis contract, we charge a pre-determined property management fee per sq.m. of GFA under management on a monthly basis which represents “all-inclusive” fees for all of the property management services provided by us and our sub-contractors. We are entitled to retain the full amount of property management fees received from property owners and residents and property developers.

Under the lump sum basis model, we bear the costs of managing properties, and recognize such costs as our cost of sales, which include expenses associated with staff directly providing property management services, maintenance and repair of communal areas, facilities management, cleaning and garbage disposal and security. As a result, reducing the costs incurred in the provision of management services to a property has a direct impact on our profitability. If the amount of property management fee we collect during the term of a contract is not sufficient to cover all the expenses incurred, we are not entitled to request property owners and residents or property developers to pay us the shortfall. During the Track Record Period, we incurred loss in an aggregate amount of RMB19.7 million, RMB14.6 million, RMB2.1 million and RMB3.8 million, respectively, with respect to eight, 10, 11 and 11 properties, respectively, which were managed under lump sum basis for 2014, 2015, 2016 and the nine months ended September 30, 2017. The losses incurred with respect to such properties managed under a lump sum basis were primarily due to the relatively large costs incurred at the early stage of our management of such properties. The aggregate revenue generated from such loss-making properties was approximately RMB49.6 million, RMB54.5 million, RMB58.7 million and RMB33.9 million, respectively, for 2014, 2015, 2016 and the nine months ended September 30, 2017,

BUSINESS

representing approximately 6.0%, 5.8%, 4.7% and 2.9%, respectively, of our total revenue for the same periods. For more information, please see the section entitled “Risk Factors—Risks Relating to Our Business and Industry—We may be subject to losses and our profit margins may decrease if we fail to control our costs in connection with the performance of our property management services on a lump sum basis” of this document. We have established various internal measures to reduce cost and prevent or reduce such shortfall. To reduce costs, we have implemented management digitalization, service professionalization, procedure standardization and operation automation of our services. See “—Management Digitalization, Service Professionalization, Procedure Standardization and Operation Automation” below.

Property Management Fees Charged On a Commission Basis

During the Track Record Period, we derived revenue from a limited number of property management contracts under a commission basis. Property management contracts under commission basis represented 1.6%, 1.8%, 1.8%, 1.9% and 1.5%, respectively, of the total revenue from property management services in 2014, 2015, 2016 and the nine months ended September 30, 2016 and 2017. On a commission basis, we recognize as revenue a predetermined property management commission fee generally representing 8% to 10% of the property management fees payable by property owners and residents and property developers, while the remainder of such management fees are used as working capital to cover the property management expenses we incur. When we are contracted to manage communities on a commission basis, we essentially act as an agent of the property owners. Since the management offices of these communities have no separate bank accounts, all transactions related to these management offices are settled through our treasury function. As of the end of a reporting period, if the working capital of a management office accumulated in our treasury function is insufficient to cover the expenses the management office has incurred and paid through our treasury function to arrange for property management services at the relevant community, the shortfall is recognized as long-term receivable subject to impairment. See the section entitled “Risk Factors—Risks relating to Our Business and Industry—We may fail to recover all payments on behalf of property owners and residents of the properties managed on a commission basis” in this document.

Under this revenue model, we are not entitled to any excess of the property management fees paid by property owners and residents and property developers (after deducting the fees receivable by us as the property manager) over the costs and expenses associated with the provision of services to the property. Therefore, we do not recognize any direct cost under property management service contracts charged on a commission basis in general. Such costs are borne by the property owners and residents and property developers.

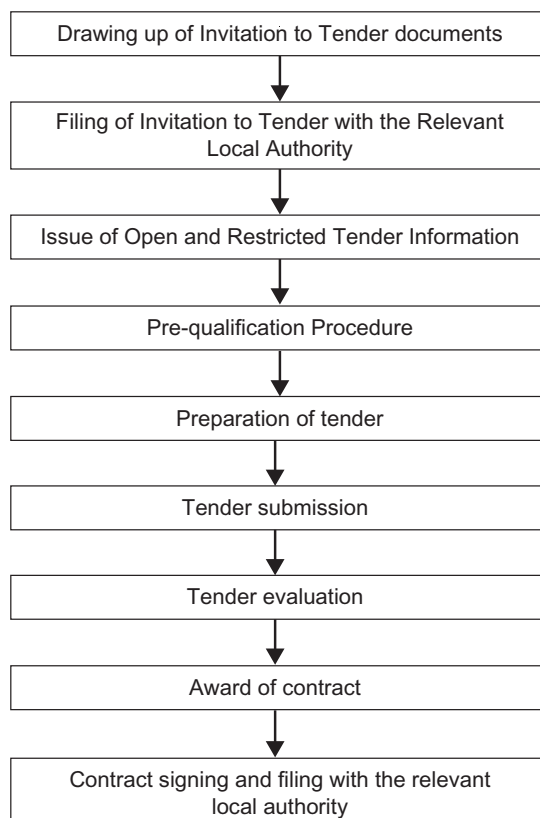
Consultancy Services

Under our consultancy arrangements, the regional property management companies provide property management services at the relevant properties, and we provide consultation and advice to these regional property management companies such that they can leverage our experience and platform to improve the standard of their own operations and control their operational costs. We receive a fee for our consultancy services at fixed rates, regardless of the performance of the relevant properties. As of December 31, 2014, 2015 and 2016 and September 30, 2017, we provided consultancy services to an aggregate GFA of nil, 3.1 million sq.m., 7.3 million sq.m. and 23.5 million sq.m., respectively.

BUSINESS

Agreements for Our Property Management Services

We are typically engaged through competitive bidding in accordance with relevant PRC laws and 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 property management companies. The flow chart below sets forth the typical tender and bidding process for our property management contracts:



We provided property management and other related services to the projects developed by Agile Group, Greenland Holdings and independent property developers at the pre-sale and pre-delivery stages during the Track Record period. We procure most of our initial property management service engagements from property developers through standard public tender procedures regulated by applicable PRC laws and regulations. In 2014, 2015, 2016 and the nine months ended September 30, 2017, the success rates of our tender bids for properties developed by Agile Group were 100.0%, 88.9%, 100.0% and 100.0%, respectively. We started providing management services for properties developed by property developers other than Agile Group since 2015 and the success rates of our tender bids for such properties were 26.1%, 28.4% and 35.6%, respectively, in 2015, 2016 and the nine months ended September 30, 2017. The success rates of Greenland Property Services' tender bids for properties developed by Greenland Holdings were 100.0%, 100.0%, 100.0%, and 100.0%, respectively, for 2014, 2015, 2016 and the nine months ended September 30, 2017. Greenland Property Services started to bid to manage properties developed by third party developers in 2017 and the success rate of Greenland Property Services' tender bids for such properties was 100.0% for the nine months ended September 30, 2017.

BUSINESS

As of the Latest Practicable Date, we were selected by a number of property developers to provide management services for 30 properties without going through tender and bidding processes (the “Relevant Property Management Projects”). Such properties had an aggregate GFA of approximately 8.3 million sq.m. as of September 30, 2017. The revenue from our management of such properties represented approximately 10.2%, 10.1%, 8.6% and 7.1%, respectively, of our total revenue in 2014, 2015, 2016 and the nine months ended September 30, 2017. Under the Regulations on Property Management, a residential property developer shall hire qualified property management service providers by going through a tender and bidding process. If the number of bidders is less than three or the relevant residential property is of a relatively small scale, a property developer can engage qualified property management service providers directly without going through a tender and bidding process with the prior approval of competent authorities. According to the Regulations on Property Management, a residential property developer may be required to take rectification measures within a prescribed period and pay fines up to RMB100,000 if it fails to comply with such tender and bidding requirement. See the section entitled “Regulatory Overview — Legal Supervision over Property Management Services — Appointment of Property Management Enterprises” in this document.

The relevant local authorities have acknowledged the administrative filing of property management agreements we entered into with property owners without having gone through a tender and bidding process. The lack of a tender and bidding process for the selection of property management service providers for the Relevant Property Management Projects was not caused by us but the relevant property developers. As advised by our PRC Legal Advisor, King & Wood Mallesons, based on the acknowledgement of the competent governmental authorities, no administrative penalty will be imposed on us by the relevant governmental authorities. Our Directors also confirm that, based on the opinion given by our PRC Legal Advisor and the percentage of the revenue from the management services for the Relevant Property Management Projects to our total revenue during the Track Record Period, it will not have any material and adverse impact on our business, financial position or results of operations. As of the Latest Practicable Date, we were not aware of any administrative penalties or any notice of any potential administrative penalties from the relevant competent authorities on the relevant property developers in relation to such property management agreements. See the section entitled “Risk Factors—Risks relating to Our Business and Industry—Some of our property management agreements were obtained without going through a tender and bidding process” in this document.

In order to ensure our ongoing compliance with the relevant regulations on property management, we have implemented several internal control measures, including (i) our regional offices to conduct extensive research and prepare bidding plan for newly developed property projects which will commence sale, before we participate in a tender and bidding process for such project; (ii) our property management center to closely monitor the tender and bidding progress of each project, formulate detailed property management plans, review the project status on a regular basis and prepare a register to keep track of the status of projects; and (iii) our regional offices to make filing of the property management fees with the relevant governmental authorities, if required, and prepare a register to keep track of the relevant filings. In addition, we will consult our PRC Legal Advisor for legal advice on tender and bidding issues from time to time.

BUSINESS

Key Terms of Contract with Property Developers

Our contract with property developers typically includes the following key terms:

- *Scope of services.* A typical contract with a property developer sets out the scope of services by phase. Before the construction of the property is completed, we generally provide property management services to public areas and facilities, including security, cleaning, greening and gardening, public road maintenance and repair and maintenance of public facilities. Once the construction is completed, in addition to the aforementioned services, we also collect utility fees, manage the carpark and offer housekeeping services.
- *Performance standards.* The contract sets out specific standards for the main services we provide and the frequency of certain types of services such as elevator maintenance and equipment examination.
- *Property management fees.* The contract sets out the amount of property management fee, payable either on a lump sum basis or on a commission basis. The property developer is responsible for paying the property management fees for the units that remain unsold, which fees typically begin to accrue upon the execution of the property management contract and delivery of the first unit to a buyer. Property developers pay a daily surcharge, at a certain percentage of the overdue amount, for overdue property management fees. We can also report a property developer's overdue history to the housing management authority. The amount payable by the property developer will be withheld by the housing management authority upon the transfer of the property.
- *Property developers' obligations.* The property developer is primarily responsible for, among other things, obtaining a commitment from every property buyer that it will comply with the property management agreement, providing sufficient space at the community for us to use as our on-site property management office and providing us with blueprints and other construction design documents and completion inspection documents.
- *Term of service.* The contract does not have any fixed term and expires only when the relevant property owners' association is established and a new property management agreement is entered into to replace the existing one with property developers.

After the delivery of the properties by the property developers to the property owners, the property owners may form and operate a property owners' association to manage the properties. The Property Law of the People's Republic of China, the Regulations on Property Management and the Guidance Rules of the Owners' Meeting and the Property Owners' Association stipulate that property owners that own over half of the delivered GFA in the community may vote to establish a property owners' association at a property owners' meeting.

As of September 30, 2017, nine communities under our management had established property owners' associations, accounting for approximately 4.0% of the total number of communities under our management (excluding consultancy projects). The property owners' association is independent of us. We need to provide quality services at competitive prices to the residents and owners of the properties in order to secure our engagement by the property

BUSINESS

owners' meeting. According to the Regulations on Property Management, the property owners' meeting can hire or dismiss property management service providers by votes from more than half of the property owners who own over half of the GFA of delivered properties in the community at the property owners' meeting. The property owners' association may either hire new property management service providers through competitive bidding or enter into a contract with a property management service provider directly based on specified standards, such as terms and conditions of service, service quality and service price.

In the event that the property owners' association has not been formed after the delivery of the properties to the property owners, the preliminary property management contract entered into between the property developers and us at the pre-sale and pre-delivery stages (the "Preliminary Management Contract") would remain effective and bind the owners of the properties, who are obligated to pay the management fees directly to us. The Preliminary Management Contract will be terminated when the property owners' association is formed and a new property management contract is entered into. If, upon the expiration of the initial term of the Preliminary Management Contract, the property owners' association has not been formed or a new property management contract has not been entered into between the property owners' association and us, (i) the Preliminary Management Contract will be renewed automatically until a new property management contract with the property owners' association is entered into if there is applicable provision in the Preliminary Management Contract to that effect, or (ii) the parties may choose to extend the services absent any automatic renewal provision in the contract, in which event a new management contract will be entered into between the property developer and us.

Key Terms of Contract with Property Owners' Associations

Our contract with property owners' associations typically include the following key terms:

- **Scope of services.** Under a typical contract with a property owners' association, we provide general property management services, including repair and maintenance of public facilities, maintenance of common areas, greening, gardening, cleaning, security, fire control, emergency response and organization of cultural activities. If the owners or residents request other services, such as decoration, parking and maintenance of properties, they will sign separate service agreements with us. In addition, we may also agree to collect utility charges from property owners and residents on behalf of utility companies. We may outsource certain services to qualified sub-contractors.
- **Property management fees.** The contract sets out the amount of property management fee, payable either on a lump sum basis or on a commission basis. Property owners and residents are responsible for paying the property management fees, which shall be proportional to the size of the GFA they occupy. If the owners and residents request other services not covered within our general scope of services, they shall also pay service fees either as separately agreed under the relevant agreements entered into between property owners and residents and us or as set out in the standard fee schedules applicable to the specific communities. Property owners and residents contribute to the public funds reserved for the repair and maintenance of public facilities and common areas. Property owners and residents pay a daily surcharge, typically 0.1% of the overdue amount, for overdue property management fees.

BUSINESS

- ***Rights and obligations of property owners and residents.*** According to relevant PRC laws and regulations, the property owners' association is elected by property owners, and represents their interest in matters concerning property management. The property owners' association's decisions are binding on all property owners. As advised by our PRC Legal Advisor, King & Wood Mallesons, contracts between property owners' associations and property management companies, including the various legal rights and obligations of property owners under such contracts, are valid and legally binding on property owners, whom their respective property owners' associations represent, even if the property owners are not parties to such contracts. As a result, we have legal claims against property owners for accrued and outstanding property management fees. Property owners and residents have the right to be informed of and supervise the use of public funds and the management of common areas and public facilities and review the annual budget and property management plan prepared by us. Before selling or leasing out their properties, property owners shall pay up all outstanding property management fees to us. When selling or leasing out their properties, property owners shall inform the buyers or tenants of the existence of the property management agreement and the buyers' or tenants' obligations thereunder. Within 15 days after the sale or lease of the properties, property owners shall notify us of such sale or lease. Property owners bear joint liabilities with the residents of their properties with respect to the payment of property management fees.
- ***Rights and obligations of property owners' association:*** Property owners' associations have the right to be informed of and supervise the use of public funds and the management of common areas and public facilities and review the annual budget and property management plan prepared by us. Property owners' associations shall provide necessary support to us to facilitate our work, such as all necessary drawings, records, materials and an office.
- ***Terms and termination.*** These contracts typically have a duration of three to five years. During the Track Record Period and up to the Latest Practicable Date, neither we nor any property owners' association of properties under our management has unilaterally terminated any property management contract with a property owners' associations before its expiration date.
- ***Dispute resolution.*** Parties are typically required to resolve any contractual disputes through negotiations first, failing which the dispute is to be resolved through court proceedings.

Our Pricing Policy for Property Management Fee

We generally price our services by taking into account a number of factors, including (i) the types and locations of the communities, (ii) our budgeted expenses, (iii) our target profit margins, (iv) the profiles of property owners and residents; and (v) the scope and quality of our services. Under the property management contracts, we can negotiate with property owners and residents to raise the property management fees upon renewal of the contracts. Due to the quality of our services provided to property owners and residents, during the Track Record Period, we raised the property management fee rates for six properties we managed, that were approved by our property owners who owned half or more of the total GFA and who accounted

BUSINESS

for half or more of total property owners of each property, in compliance with relevant PRC laws and regulations.

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 refer to government guidance prices. For more information, please see the section entitled “Regulatory Overview—Charging of Property Management Enterprises” in this document.

In 2014, 2015, 2016 and the nine months ended September 30, 2017, the average property management fee rate charged for the residential properties we manage was approximately RMB2.89 per sq.m./month, RMB2.94 per sq.m./month, RMB2.94 per sq.m./month and RMB2.98 per sq.m./month, respectively, higher than the industry average fee rates for the same periods. For example, the average fee rate for 2016 charged by the Top 100 Property Management Companies was approximately RMB2.31 per sq.m./month for residential properties, according to CIA.

Payment Terms and Credit Terms

We generally charge property management fees on a monthly basis. We generally send out notices one month in advance for the payment of the monthly fees for residential and commercial properties that we manage. For property management fees charged under a lump sum basis, property owners and residents pay us at a fixed rate, and we enjoy the surplus and bear the loss. For property management fees charged under a commission basis, any surplus in working capital at the end of the year is carried over to the next year, and any shortfalls in working capital are to be recovered from property owners and residents, with each property owner and resident’s share of the shortfall generally proportional to the property owner and resident’s share of the total fee-charging GFA, within the first month of the following year.

The fees from property management services in the PRC are collected in accordance with the terms of the relevant property management service contracts. The fees from property management services are due for payment by property owners and residents upon our issuance of a demand note. We typically receive payment for our property management services within 30 days after the issuance of the demand note to property owners and residents which, based on publicly available information, is consistent with the property management industry norm in the PRC. For details about our accounting policies regarding trade receivables, please see the section entitled “Financial Information—Certain Significant Accounting Policies and Accounting Estimates and Judgments—Trade and Other Receivables” in this document.

To the extent permitted by relevant laws and regulations, we charge property owners at the properties we manage a utility fee for the water and electricity consumed by public facilities, public equipment and communal areas in proportion to the GFA occupied by them in addition to the agreed property management fees.

The property owners and residents can pay the amount payable to us in cash, through online or offline transfer, auto-pay, credit card or third party mobile payment platforms such as Alipay or WeChat Pay. In order to enhance the timely collection of the property management fees and other payments, we have undertaken a number of measures, including sending reminders through various channels, such as phone calls, mails and our “A-Steward” (雅管家)

BUSINESS

mobile application, and notifying the property owners and residents in person. Moreover, we conduct an evaluation to make sure the property management fees we contract for are sufficient in light of the services we provide. We also impose strict control over our budgets to avoid any shortfalls. Furthermore, we have adopted the Operating Procedures for Collecting Property Management Fees, which set out the following measures to collect overdue property management fees:

- in the first month after the property management fees become due, a property management assistant shall remind the property owner of the overdue fees via phone prior to the tenth day and the 20th day after the due date, and send the first payment notice to the property owner prior to the 20th day after the due date;
- in the second month after the property management fees become due, the responsible department manager shall remind the owner via phone for the third time prior to the tenth day in the second month after the property management fees become due, and the property manager shall remind the owner via phone for the fourth time and send out the second payment notice to the property owner prior to the 20th day in the second month after the property management fees become due;
- in the third month after the property management fees become due, the property manager shall send a lawyer's letter via registered mail prior to the tenth day in the third month after the property management fees become due; and
- in the sixth month after the property management fees become due, a lawsuit shall be filed if the property management fees are still outstanding.

VALUE-ADDED SERVICES TO NON-PROPERTY OWNERS

Scope of Value-Added Services Provided to Non-Property Owners

We provide a series of value-added services to non-property owners, mainly property developers, primarily including the followings:

Sales Assistance

We may be appointed by property developers at an early stage of property development to provide sales assistance services. We help property developers with their preparation of marketing activities, and we recognize our revenue based on the fees we charge, which is either based on our actual cost or at a fixed lump sum amount.

We enter into sales assistance service agreements with property developers. Pursuant to the agreement, we agree to deploy staff on-site to assist property developers with their marketing activities, and be responsible for, among others, cleaning, security and maintenance of the display units. We also undertake marketing planning and visitor reception. We enter into a sales assistant service agreement for each property development project which is typically set to expire when the property developers notify us that our sales assistance services are no longer required.

In 2014, 2015, 2016 and the nine months ended September 30, 2017, our revenue derived from sales assistance services represented 100.0%, 100.0%, 99.7% and 92.3%, respectively, of our revenue from value-added services provided to non-property owners.

BUSINESS

Other Services

In addition to sales assistance service, we also provide other services to non-property owners, primarily including advertisement, property agency and home inspection service. Our revenue derived from other services provided to non-property owners represented nil, nil, 0.3% and 7.7%, respectively, of our revenue from value-added services provided to non-property owners for 2014, 2015, 2016 and the nine months ended September 30, 2017. Our revenue from other services provided to non-property owners for the nine months ended September 30, 2017 was primarily generated from home inspection service.

Advertisement

We commenced our advertising service in June 2016. As our advertisement business is still at an early development stage, we primarily provide services to the properties under our management and properties developed by Agile Group. We focus on community related advertisements designed to facilitate service diversification and provide information of services and products closely tied to residents’ daily life and basic needs such as consumer goods, household supplies and financial products. In the meantime, committed to optimizing customer experience and satisfaction, we closely manage the content and frequency of advertisements to ensure that the advertisements do not intrude upon the residents’ quiet enjoyment of their properties.

Property agency

We commenced our property agency services in July 2017. We have a strong property agency team comprised of a number of members experienced in the real estate industry and property agency business, offering feasibility studies, marketing planning, sales consultancy, and channel development and integration services. We provide property developers with property agency services with respect to (i) newly developed properties in selected cities and (ii) unsold units at the properties we manage. We act as a sales agent for property developers, sourcing potential property buyers and assisting property developers in entering into property sale and purchase agreements with the buyers. We reach out to potential property buyers through our network of property management offices located at the properties we manage across China. Leveraging the active engagement and close relationships with the residents that we have nurtured through our property management operations, we have access to potential property buyers with proven purchasing power. Upon the consummation of a property sale transaction, we charge the seller a commission calculated at a fixed percentage of the contract purchase price. During the Track Record Period, all of our revenue from property agency business was generated from properties developed by Agile Group.

Moreover, we offer brokerage services for property leasing transactions, which primarily include property listing as well as assistance in the negotiations and documentation of leases. Upon the closing of a successful property leasing transaction, we charge the landlord and tenant an amount equal to one month’s rent as commission.

Home inspection

We commenced our home inspection service in April 2017. We provide home inspection services to property developers and property owners after the construction has been completed and the property has been delivered to buyers.

BUSINESS

We primarily provide two types of home inspection services:

- *delivery assessment.* We provide delivery assessment services to property developers. Specifically, we assess the condition of completed properties to determine whether such properties are suitable for delivery by searching and reviewing the completion filing records of such properties, conducting on-site examination and undertaking other tests and surveys. The scope of our assessment covers individual units, communal areas, basements, landscaping, public facilities and equipment; and
- *unit inspection.* We provide unit inspection service to both property developers and property owners. Our unit inspection service focuses on aspects that are likely to affect property owners' satisfaction or the delivery rate of properties, such as functionality, quality and design of properties. Specifically, we conduct on-site examination and undertake other tests and surveys with a view to spotting potential defects and issues.

As of September 30, 2017, we had 39 home inspection projects, including 29 inspection service contracts which were active and 10 inspection service contracts under negotiation.

VALUE-ADDED SERVICES TO PROPERTY OWNERS

We provide a wide spectrum of value-added services to property owners. These services are provided both through our daily contact and interaction with property owners and residents during the process of providing traditional property management services and through our one-stop service platform.

With a view to improving the community living experience of property owners and residents at the properties we manage and preserving and increasing the value of their properties, we mainly provide two types of value-added services to property owners, namely, resident services and property value management services.

- *Resident services.* We offer resident services to property owners and residents with a focus on their daily needs. The main resident services we provide include:
 - (i) property maintenance and repair: we offer property maintenance and repair services either by ourselves or through qualified third-party service providers. Our property maintenance and repair services cover home appliances, electric equipment, furniture and permanent fixtures;
 - (ii) housekeeping and cleaning services: we offer housekeeping and cleaning services either by ourselves or through qualified third-party service providers. We have implemented our Household Cleaning Procedures, which set forth the service standards, cleaning procedures and occupational etiquette, among other things;
 - (iii) decoration and turnkey furnishing services: We offer design and purchasing services with turnkey furnishing packages to create a move-in ready residence. Leveraging our integrated supplier resources, we assist the owners and residents of our managed properties in decorating and furnishing the units and purchasing furniture, home appliances and accessories, saving them time and effort. We charge a pre-negotiated fee for our turnkey furnishing services;

BUSINESS

- (iv) purchase assistance: we offer purchase assistance for a full range of products and services for sale by us or by pre-screened merchants. Our active engagement and relationships with the property owners and residents through our property management services help us better understand and respond to their demands. The property owners and residents may place orders at our property management offices or through our “A-Steward (雅管家)” mobile application;
- (v) wedding planning services: we offer various wedding planning services including site decoration and layout, emcee, process design and ceremony director services; and
- (vi) travel services: We obtained a travel agency business license on March 1, 2017. We offer tailored travel plans to our customers and act as an intermediary between our customers and local travel agencies. Our travel services mainly include: (a) business or training trips contracted with Agile Group, (b) trips to Agile Group’s vacation properties, including the vacation properties located in Yunnan, Hainan and Malaysia, all of which are popular tourist destinations, and (c) community trips, in particular customized trips offered to customers with families.
- *Property value management services.* Committed to preserving and increasing the value of our customers’ assets, we provide property value management services to property owners, including residential property lease services. We maintain a portfolio of properties for rent and property owners bear the maintenance cost. If a property is successfully rented out, we will charge a commission calculated as a fixed rate of the rental income.

Based on our estimation, the expected maximum revenue contribution from Agile Holdings to each of the three major business lines of the Group for the three years ending December 31, 2020 are as follows:

	<u>For the year ending December 31,</u>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
	<u>(approximate, RMB in millions)</u>		
Property management services	459.0	519.0	597.0
Value-added services to non-property owners ⁽¹⁾	409.0	493.5	615.6
Value-added services to property owners ⁽²⁾	2.0	2.5	3.3

Notes:

- (1) services provided to the Agile Group under this business line include home inspection services, property agency services and advertising and public relations services.
- (2) services provided to the Agile Group under this business line include travel services.

For details on the transactions relating to the above services provided to Agile Holdings which will contribute to our Group’s revenue, please refer to the section entitled “Connected Transactions” in this document.

OUR COOPERATION WITH GREENLAND HOLDINGS

In June 2017, we established a strategic alliance with Greenland Holdings, an industry leader in property development. On June 30, 2017, we acquired Greenland Property Services

BUSINESS

from Greenland Holdings for a consideration of RMB1.0 billion pursuant to a share transfer agreement entered among Greenland Holdings, Greenland Property Services and us. As a result, Greenland Property Services became our wholly-owned subsidiary. In August 2017, Greenland Holdings acquired a 20% equity interest in newly issued share capital of our Company for a consideration of RMB1.0 billion and became our long-term strategic shareholder. The purchase price for Greenland Property Services was determined on an arm’s length basis, taking into account the prospect of the business cooperation between Greenland Holdings and our Company. Although the acquisition of Greenland Property Services and the Pre-[REDACTED] Investment both aim to implement the strategic alliance and are therefore related to each other in this respect, they were not inter-conditional. In addition, two different independent valuers were engaged for these two separate transactions, which applied independent appraisal procedures and went through independent appraisal processes for these two transactions, and Agile Group, Greenland Holdings and we entered into separate definitive agreements for these two transactions on different dates.

Overview of Greenland Holdings and Greenland Property Services

Since its establishment in 1992 and through more than two decades’ development, Greenland Holdings has secured its market presence in more than 80 cities in China and 13 cities in nine foreign countries, including the United States, Britain, France, Germany, Australia, Canada, South Korea, Thailand and Malaysia. Greenland Holdings has been on the list of Fortune Global 500 for five consecutive years since 2012. In 2016, Greenland Holdings recorded a total revenue of approximately RMB247,160 million and a net profit attributable to its shareholders of approximately RMB7,207 million.

Greenland Property Services is primarily engaged in property management and related businesses. In 2014, 2015, 2016 and the six months ended June 30, 2017, Greenland Property Services recorded total revenue of approximately RMB43.4 million, RMB76.4 million, RMB95.9 million and RMB60.5 million, respectively; and recorded a net profit of approximately RMB0.9 million, RMB2.0 million and RMB2.9 million, respectively, in 2014, 2015, 2016 and a net loss of RMB0.7 million in the six months ended June 30, 2017. Greenland Property Services’ net profit generally increased from 2014 to 2016 which was primarily due to the increase in the GFA under management. The relatively thin net profit during 2014 to 2016 was primarily because the total GFA that Greenland Property Services managed was relatively small and thus had not achieved business scale. Greenland Property Services recorded a net loss in the six months ended June 30, 2017, primarily due to the increase in the operating expenses (mainly including staff cost and marketing expenses), reflecting Greenland Property Services’ efforts to expand its property management services to cover properties developed by third party developers other than Greenland Holdings. The financial performance and cash flows of Greenland Property Services during 2014, 2015, 2016 and the six months ended June 30, 2017 were not audited or reviewed by our auditor nor included in our consolidated financial statements. Upon our acquisition of Greenland Property Services on June 30, 2017, the financial performance and cash flows of Greenland Property Services as of and for the three months ended September 30, 2017 were included in our consolidated financial statements. Greenland Property Services recorded total revenue and a net profit of RMB44.0 million and RMB12.0 million, respectively, for the three months ended September 30, 2017. For details, see “Financial Information—Acquisition of Greenland Property” of this document.

BUSINESS

As of December 31, 2014, 2015 and 2016 and September 30, 2017, Greenland Property Services managed properties with a total GFA under management of approximately 0.4 million sq.m., 0.7 million sq.m., 1.2 million sq.m. and 2.0 million sq.m., respectively. All of the properties that Greenland Property Services managed in 2014, 2015 and 2016 were developed by Greenland Holdings, and the success rates of Greenland Property Services' tender bids for such properties were 100.0%, 100.0%, 100.0% and 100.0%, respectively, for 2014, 2015, 2016 and the nine months ended September 30, 2017. As of September 30, 2017, Greenland Property Services managed one property developed by an independent third party, which Greenland Property Services started to manage in August 2017, with a GFA under management of approximately 88,000 sq.m. in addition to properties developed by Greenland Holdings. Greenland Property Services started to bid to manage properties developed by third party developers in 2017 and the success rate of Greenland Property Services' tender bids for such properties was 100.0% for the nine months ended September 30, 2017.

As of September 30, 2017, Greenland Property Services managed 14 properties, including both residential properties and commercial properties. In 2014, 2015, 2016 and the nine months ended September 30, 2017, the average management fees for the residential properties managed by Greenland Property Services were approximately RMB3.18/sq.m./month, RMB2.89/sq.m./month, RMB2.74/sq.m./month and RMB2.86/sq.m./month, respectively; and the average management fees for the commercial properties managed by Greenland Property Services were RMB15.00/sq.m./month, RMB9.86/sq.m./month, RMB8.25/sq.m./month and RMB7.87/sq.m./month, respectively. The average management fees for the commercial properties managed by Greenland Property Services decreased during the Track Record Period, primarily due to Greenland Property Services' expansion into second- and third- tier cities since 2015, such as Jinan and Foshan, where the average property management fees are lower than properties located in first-tier cities such as Shanghai.

The table below sets forth a breakdown of Greenland Property Services' total GFA under management as of the dates, and revenue generated from property management by type of property for the periods indicated:

	As of and for the year ended December 31,									As of and for the six months ended June 30,			As of and for the three months ended September 30,		
	2014			2015			2016			2017			2017		
	GFA	Revenue		GFA	Revenue		GFA	Revenue		GFA	Revenue		GFA	Revenue	
	(sq.m.)	(RMB)	%	(sq.m.)	(RMB)	%	(sq.m.)	(RMB)	%	(sq.m.)	(RMB)	%	(sq.m.)	(RMB)	%
(in thousands, except for percentages)															
Residential properties	345	5,767	94.5	589	10,236	96.6	1,095	22,953	89.3	1,207	20,683	91.1	1,476	11,128	63.8
Commercial properties	36	333	5.5	90	364	3.4	153	2,747	10.7	246	2,017	8.9	505	6,311	36.2
Total	381	6,100	100.0	680	10,600	100.0	1,247	25,700	100.0	1,453	22,700	100.0	1,981	17,438	100.0

BUSINESS

The table below sets forth a breakdown of Greenland Property Services’ total GFA under management as of the dates, and revenue generated from property management by revenue model for the periods indicated:

	As of and for the year ended December 31,									As of and for the six months ended June 30,			As of and for the three months ended September 30,		
	2014			2015			2016			2017			2017		
	GFA	Revenue		GFA	Revenue		GFA	Revenue		GFA	Revenue		GFA	Revenue	
	(sq.m.)	(RMB)	%	(sq.m.)	(RMB)	%	(sq.m.)	(RMB)	%	(sq.m.)	(RMB)	%	(sq.m.)	(RMB)	%
(in thousands, except for percentages)															
Lump sum basis	155	5,200	85.2	239	8,900	84.0	777	23,500	91.4	1,058	21,600	95.2	1,430	16,890	96.9
Commission basis	226	900	14.8	441	1,700	16.0	470	2,200	8.6	395	1,100	4.8	551	548	3.1
Total	381	6,100	100.0	680	10,600	100.0	1,247	25,700	100.0	1,453	22,700	100.0	1,981	17,438	100.0

In addition to revenue from property management service, Greenland Property Services also generated revenue from value-added services to non-property owners of approximately RMB36.4 million, RMB63.1 million, RMB62.8 million, RMB32.6 million and RMB23.8 million, respectively, for 2014, 2015, 2016, the six months ended June 30, 2017 and the three months ended September 30, 2017, and from value-added services to property owners of approximately RMB0.9 million, RMB2.7 million, RMB7.4 million, RMB5.2 million and RMB2.8 million, respectively, for the same periods.

Benefits of the Strategic Alliance

The cooperation with Greenland Holdings has been of strategic significance to us, including increasing our business scale, improving our market coverage, enriching our service portfolio, expanding our mid-to high-end customer base and integrating our value-added service offerings. Pursuant to the share transfer agreement and to the extent permitted by relevant laws, Greenland Holdings shall endeavor to engage us as their property management service provider and to deliver a GFA of not less than 7.0 million sq.m. per annum to us for management, and to give priority to us when selecting their property management service provider for properties it develops for an additional GFA of 3.0 million sq.m. per annum, during the period from January 1, 2018 to December 31, 2022. We believe properties developed by Greenland Holdings will be a stable source of business and a strong trigger for our future development.

We will operate under the two well-known brands, “雅居樂物業 (Agile Property Management)” and “綠地物業 (Greenland Property Services).” In addition, Greenland Holdings has agreed to authorize Greenland Property Services to use the trademark and brand of “Greenland Property Services” which is held by Greenland Holdings for Greenland Property Services’ property management services on a royalty free basis for a period of five years and may be renewed by negotiation between Agile Holdings and Greenland Holdings upon expiration.

Greenland Holdings shall also provide support for the development of our community value-added services, including our community finance, smart home, elderly care and telemedical services. Furthermore, Greenland Holdings has established a global presence, covering a number of regions where we are relatively underpenetrated, such as North China and overseas. With the business combination, we will seek to enter new regions where Greenland Property Services has established its presence and reputation, representing a significant move towards our goal to become a leading property management company with an extensive domestic geographic coverage and international recognition.

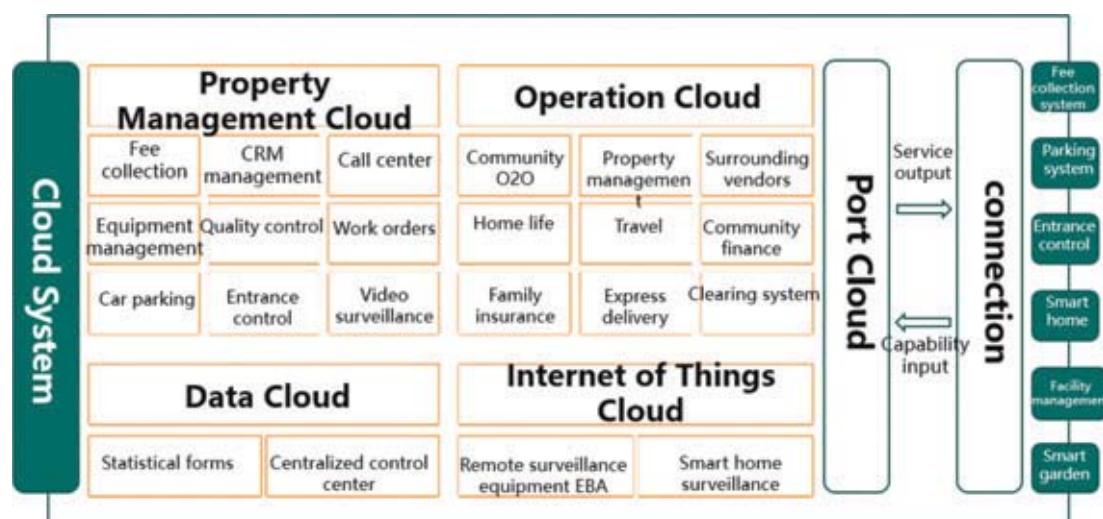
BUSINESS

For further details on the benefit from cooperation with Greenland Holdings, please see “—Competitive Strengths—Competitiveness enhanced by the support from Agile Group and Greenland Holdings, our two major shareholders” above.

MANAGEMENT DIGITALIZATION, SERVICE PROFESSIONALIZATION, PROCEDURE STANDARDIZATION AND OPERATION AUTOMATION

To strengthen our competitiveness, reduce our reliance on manual labor and reduce costs, we focus on management digitalization, service professionalization, procedure standardization and operation automation. We evaluate our property management services and formulate processes to render such services in a manner that is intended to improve operational efficiency, ensure consistent service quality, help develop a scalable business model and alleviate the pressure of increasing labor cost.

- Management Digitalization.** We endeavor to achieve digitalized management within our Group. Through the digital information platform at our headquarters, we obtain the latest data on all properties we manage in real time, monitor the overall operation status of the properties, and make appropriate decisions based on our analysis of the data. We closely monitor the status of the properties we manage and our local operations through large display screens. Specifically, (i) our data monitoring screen displays the basic information of the properties we manage, the collection status of property management fees, the status of our call center, personnel dynamics, quality indicators and the maintenance condition of the facilities and equipment; (ii) our remote monitoring screen displays the main scenes of the properties we manage, including the communal areas and major facilities; and (iii) our carpark monitoring screen displays the parking lots at the properties we manage. By analyzing information collected and displayed, we formulate strategies and policies to address the issues identified and improve customer satisfaction. The diagram below illustrates our digitalized management system.



Furthermore, we have established a centralized command center through which we exercise centralized management with the use of information technologies to replace the customer service front desks at the community level, which improves the quality and efficiency of our operations and services.

BUSINESS

- **Service Professionalization.** We have been continuously seeking to streamline our work processes, improve efficiency and enhance the level of specialization. In order to better focus on our key property management services and value added services such as management and operation of public facilities and equipment, customer service, consultancy services, property delivery and inspection as well as sales assistance services, we plan to further outsource certain property management services to professional third party service providers. We believe we can improve operation efficiency by outsourcing these services and meanwhile ensure the service quality by implementing a set of stringent quality standards.
- **Procedure Standardization.** We have streamlined and standardized our property management services, focusing particularly on standardizing key elements of our services, such as environmental management, occupational health and safety management and quality management. We divide the properties we service into different levels, based on factors such as their locations, total GFA and amount of property management fees. We set up standardized service provision procedures for each level of property, and replicate them in part or in whole across all the properties that we service. In certain aspects of our business such as environmental protection and safety, we apply a consistent set of standards, which are in line with or more stringent than industry practice, throughout the properties we manage to achieve better and consistent quality control. Such measures help us standardize our services, which strengthens our brand and reputation by ensuring service consistency. In areas where no universally accepted standards are in place, we strive to take the lead in setting the standards for the industry. For example, we are the only property management company invited by the Standardization Working Committee of China Property Management Association to draft the industry standards for vacation property management.
- **Operation Automation.** We strive to automate our operations where possible, by employing equipment such as carpark management systems, EBA systems, cleaning vehicles, unmanned drones or aerial vehicles and intelligent robots to minimize human error and apply consistent service procedures and standards. Automation also plays a key role in improving service quality and saving costs by reducing our reliance on manual labor such as security guards and cleaning staff.

The expenses we spent in connection with the management digitalization, service specialization, process standardization and operation automation during the Track Record Period primarily comprised sub-contracting cost, and to a lesser extent, purchase of facilities and equipment. In 2014, 2015, 2016 and the nine months ended September 30, 2017, we spent an amount of RMB107.7 million, RMB139.6 million, RMB211.8 million and RMB271.0 million, respectively, on management digitalization, service specialization, process standardization and operation automation.

OUR ONE-STOP SERVICE PLATFORM

In response to demands from property owners and residents and increasing cost pressure, we have made efforts to optimize our business model and improve our service quality. With the help of the Internet and mobile applications, we have built a one-stop service platform to improve our customer experience and satisfaction.

BUSINESS

We operate our one-stop service platform through our PRC subsidiary, Guangzhou Yatian. The functions of our one-stop service platform mainly include (i) selling goods (including food) and providing various services, the revenue generated from which is the result of sale of goods and services instead of providing paid Internet information services; and (ii) providing community social networking services for free. According to the Administrative Measures on Internet Information Services (互聯網信息服務管理辦法) which was issued by the State Council on September 25, 2000 and came into effect on the same day and was revised on January 8, 2011, Internet information services refer to the provision of information to web users through the Internet, which can be divided into commercial Internet information services and non-commercial Internet services. Commercial Internet information services refer to paid services of providing information to or creating web pages for web users through the Internet. Non-commercial Internet services refer to free services of providing public, commonly-shared information to web users through the Internet. Whether a certain Internet information service is regarded as commercial or non-commercial, depends on whether the provision of Internet information is free or to be charged. For details, see the section entitled “Regulation Overview—Legal Supervision over the Internet Information Services Supervision on Internet Information Services”. As advised by our PRC Legal Advisor, King & Wood Mallesons, (i) the business conducted by Guangzhou Yatian is regarded as “non-commercial Internet information services,” as we sell goods and provides living related services and provide free community social networking services through the one-stop service platform. Customers pay for the goods and living related services but do not need to pay for the Internet information services provided by us. Revenue generated from the one-stop service platform comes from sales of goods and living related services instead of providing paid Internet information services; (ii) necessary filings and registrations in respect of such business have been obtained and completed by Guangzhou Yatian, including, a filing of non-commercial Internet information services, a food sales license and a filing of self-built food trading website of food traders; (iii) non-commercial Internet information services doesn’t belong to the category of basic telecommunication services or value-added telecommunication services and, as a result, a license for value-added telecommunication services is not necessary; and (iv) Guangzhou Yatian’s business is not subject to foreign ownership restrictions under relevant PRC laws and regulations.

Our one-stop service platform helps synergize various services and integrate online and offline information and resources by applying the Internet of Things, cloud computing, mobile Internet, intelligent terminals and other information technologies. Our one-stop service platform connects the owners and residents of the properties we manage to our steward team and allows the residents to easily purchase services and products from or through us. While we believe our one-stop service platform represents a lucrative and fast-growing business, it is still at a relatively early development stage and associated with both market opportunities and corresponding challenges and risks. See the section entitled “Risk Factors—Risks Relating to Our Business and Industry—Our one-stop service platform may not grow as planned” of this document.

Our one-stop service platform primarily comprises our “A-Steward” (雅管家), “A-Business” (雅商家) and “A-Assistant” (雅助手) Android and iOS mobile applications, A-Steward WeChat Services (雅管家微信服務), intelligent terminals, intelligent building management system, smart home system, smart parking system, unattended convenience stores and our A-LIVING Experience Center (雅生活體驗中心). The “A-Steward” (雅管家) mobile application the centerpiece and key focus.

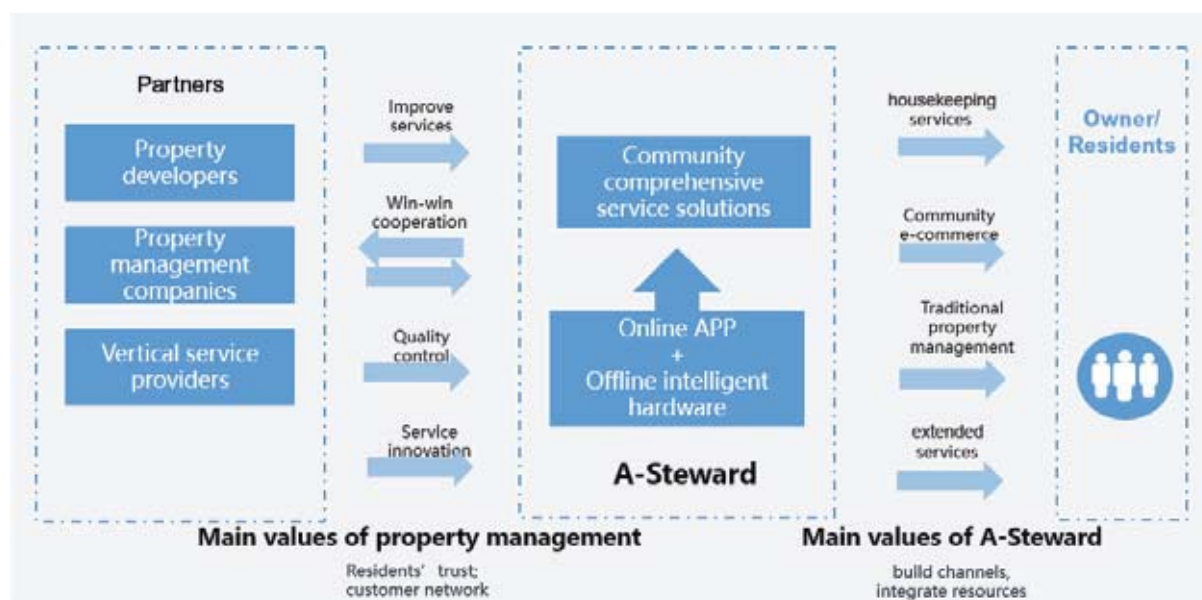
BUSINESS

Our mobile applications, A-Steward (雅管家), A-Business (雅商家) and A-Assistant (雅助手), are key to the functioning and success of our one-stop service platform. Our A-Steward (雅管家) mobile application is designed for our customers, the property owners and residents at the properties we manage. Through “A-Steward” (雅管家), our customers can have easy access to products and services covering substantially all of the primary aspects of their daily lives. The target users of our A-Business (雅商家) mobile application are merchandise suppliers and service providers. They can remotely manage their online stores and offerings and interact with their customers. To support and monitor the transactions on our one-stop service platform and to enhance the quality of our services, we developed the A-Assistant (雅助手) mobile applications for our steward team, so that they can monitor the transaction flow, communicate with the vendors and customers and collect feedback from our customers.

We operate our A-LIVING Experience Center (雅生活體驗中心) physically (i) to showcase the products and services offered on our online platform, (ii) to act as the transit service stations for express deliveries, and (iii) to provide certain on-site services. In March 2017, we launched the A-Steward Alliance (雅管家聯盟), which is a strategic alliance arrangement with service and product suppliers and certain local property management companies. As of September 30, 2017, 60 suppliers and service providers had established strategic alliance with us. We believe that through the A-Steward Alliance (雅管家聯盟), we are able to cultivate strong business ties with select local merchandise suppliers and service providers and further expand our services portfolio and enhance our services quality.

“A-Steward” (雅管家) Mobile Application

“A-Steward” (雅管家) is a resident-oriented mobile application designed to meet the diversified demands of our customers under all weather conditions and around the clock. The chart below illustrates the major players involved in our “A-Steward” (雅管家) mobile application and the interactions and relationships among them:



As of September 30, 2017, our “A-Steward” (雅管家) mobile application covered all of the residential properties managed by Agile Property Management, and had approximately over 238,900 registered users, out of which over 98,000 were active users.

BUSINESS

We designed or selected the functions of our one-stop service platform based on our understanding of the habits and preferences of the residents through our steward’ frequent interactions with the residents in order to enhance user engagement. Through “A-Steward” (雅管家), we offer both traditional property management services and value-added services. The traditional property management services offered on “A-Steward” (雅管家) include payment of property management fees and parking fees, cleaning services, security guard services, electronic entrance pass, greening and gardening services, and maintenance and repair of common areas.

The value-added services available on “A-Steward” (雅管家) include (i) services related to properties, including maintenance and repair of household appliances and devices, decoration services and sale and rent of properties; (ii) services related to vehicles, including traffic violation check, payment of traffic fines, purchase of auto insurance, carpooling and sublet of parking spaces; (iii) services related to daily supplies including purchase of consumer goods and other daily necessities; and (iv) other services, such as laundry services, express delivery services, financial services, travel planning, medical consultation, insurance consultation and mobile phone top-up. We plan to provide education, healthcare and elderly nursing services through our one-stop service platform in the future.

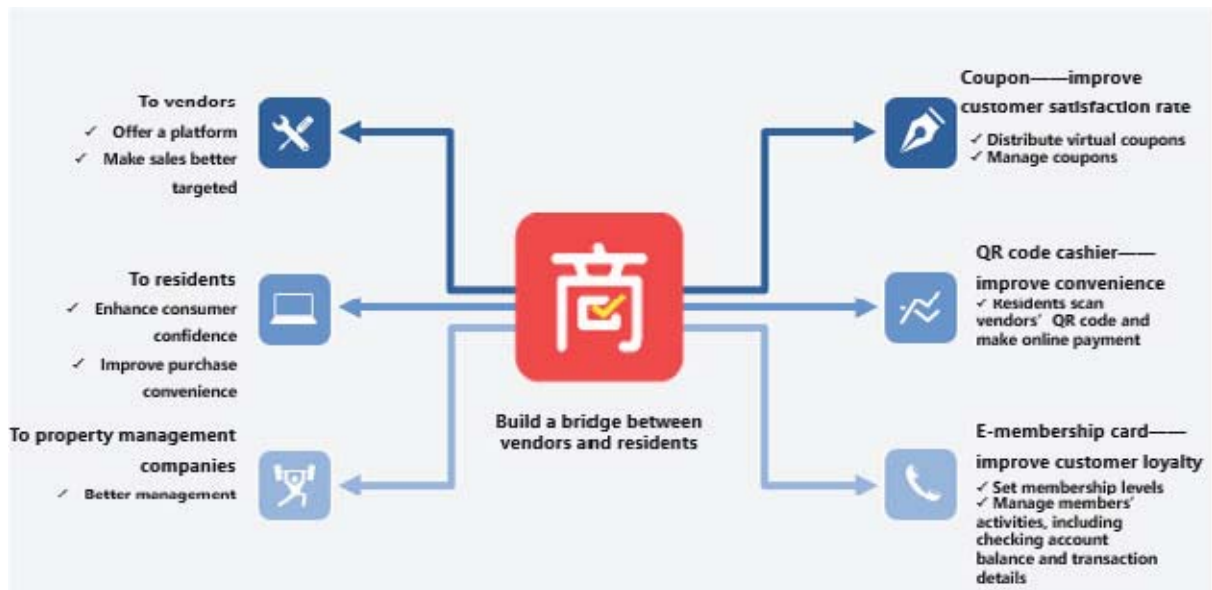
We source products and services from approximately 50 vendors and offer them through our “A-Steward” (雅管家) mobile application. We divide these products and services into eight categories, including community e-commerce, community finance, smart home, smart car, insurance, travel, housekeeping and others.

“A-Business” (雅商家) Mobile Application

Our “A-Business” (雅商家) is a mobile application designed for vendors who provide products and services on our one-stop service platform. Through our “A-Business” (雅商家) mobile application, vendors can achieve convenient and real-time management of their online stores operated on our one-stop service platform. Our “A-Business” (雅商家) mobile application provides multiple functions tailored to the needs of local vendors, including order inquiry and management, display of products and services, sales promotion and cashier services for payments made via QR code scan. To ensure the creditworthiness of the vendors and the quality of the products and services they offer on our one-stop service platform, we set stringent prerequisites to screen the vendors before they gain access to our “A-Business” (雅商家) mobile application. Specifically, we require any vendor who wishes to sign up for “A-Business” (雅商家) to provide the contact details of the store, certain personal information of the store owner, the products and services to be offered on our one-stop service platform and a high-definition picture of its business license. As of September 30, 2017, there were approximately over 890 vendors engaged in 13 categories of business on our A-Business” (雅商家) mobile application.

BUSINESS






The chart below shows how we position our “A-Business” (雅商家) mobile application and its major functions and the values it offers to various parties:








BUSINESS

“A-Assistant” (雅助手) Mobile Application

We launched our “A-Assistant” (雅助手) mobile application for our employees to manage and monitor our one-stop service platform. With the coordination and interaction between “A-Steward” (雅管家) and “A-Assistant” (雅助手), we believe that we will be able to provide better services to our customers and optimize the flow of transactions consummated on our one-stop service platform. The table below illustrates the synergies between “A-Steward” (雅管家) and “A-Assistant” (雅助手):

A-Steward			A-Assistant	
			Coordinate with A-Steward	Improve internal management
	Property management fees	We can match the phone numbers with room numbers. Residents can pay or deposit property management fees and view historical bills.	—	Observe the collection rate of property management fees
	Residents authentication	We can authenticate the identity of residents via mobile phones. Once authenticated, residents can enjoy various online property management services.	—	View the status of resident authentication at any time
	Contact butler	Residents can ask the butlers assigned to their building questions and receive answers on A-Steward.	On A-Assistant, we can receive and respond to queries raised through A-Steward	Monitor the overall public opinions
	Visitor authorization	When needed, residents can send a QR code to their visitors via A-Steward. With the QR code the visitors will be authenticated and permitted into the community.	Visitors show their QR code to the security guard, and we can authenticate the code through A-Assistant	—
	Butler report	Residents can know more about the property management services of the community by reading the reports posted on A-Steward.	We can publish announcements through A-Assistant which residents can view on A-Steward	—

			Coordinate with A-Steward	Improve internal management
	Community notices	Residents can be informed of all urgent notices related to property management services in the community.	We can publish various notices on A-Steward through A-Assistant.	—
	Service review	Residents can rate the services on A-Steward weekly and view the results	—	Monitor results of ratings on our services through A-Assistant.
	Opinion polls	Residents can vote or comment on topics related to the community.	We can launch surveys through A-Assistant.	Monitor and analyze survey results.
	Smart car cards	Car owners can be authenticated, after which car owners can enjoy various online services including traffic violation check, payment of fines, car card sharing, car card rental and car locking.	We can authenticate car cards that are tied to the corresponding cars.	Monitor the vehicles in the community.
	Smart entrance pass	Residents can have their QR code scanned, after which they will be permitted into the building.	—	Monitor the entering/exiting of the community.

BUSINESS

		Coordinate with A-Steward	Improve internal management
	Entrance pass	Residents can provide necessary information through A-Steward. We can issue entrances passes based on information provided and notify residents to pick up the passes.	We can review the information received on A-Assistant and issue passes.
	Temporary pass	Residents can apply for temporary passes through A-Steward. We can verify the information provided and issue passes.	We can review the information received on A-Assistant and issue temporary passes.
	Complaints	Residents can file complaints along with pictures through A-Steward.	Our butlers can handle the complaints once received on A-Assistant.
	Repair and maintenance	Residents can request repair and maintenance services through A-Steward.	Our maintenance staff will take care of the problems after the requests are received on A-Assistant.
			Monitor and analyze the sources of complaints.
			Monitor the condition of public facilities.

In 2014, 2015, 2016 and the nine months ended September 30, 2017, we spent an amount of nil, RMB0.7 million, RMB21.1 million and RMB18.6 million, respectively, on the development of our one-stop service platform.

SALES AND MARKETING

Our sales and marketing team is primarily responsible for planning and developing our overall marketing strategy, conducting market research, coordinating our sales and marketing activities to acquire new customers and maintain and strengthen our relationships with existing customers. Our headquarters manages our overall sales and marketing strategies, while our regional subsidiaries and branches oversee the implementation of our sales and marketing activities within their respective regions.

We have taken sales and marketing measures that are tailored to the following categories of customers:

Property developers

- *Agile Group and Greenland Holdings.* Most of our revenue from property management services was derived from properties developed by Agile Group during the Track Record Period. We expect properties developed by Agile Group and Greenland Holdings to be our stable source of revenue in the foreseeable future. We will maintain a long-term cooperative relationship with Agile Group and Greenland Holdings.
- *Third-party Developers.* We will endeavor to expand our cooperation with independent property developers by providing customized, diversified and quality services. Furthermore, we implement various incentive measures to encourage our employees to obtain property management contracts developed by third-party developers through investigation and analysis of and communication with target customers in the real estate industry and taking advantage of our resources, including our brands, capital and consultancy arrangements.

Property management companies

We plan to continue to promote our A-Steward Alliance (雅管家聯盟) and share the benefit of a comprehensive technology platform with local property management companies. We have been operating under the brand names of both “雅居樂物業 (Agile Property Management)” and “綠地物業 (Greenland Property Services)” since our acquisition of Greenland Property Services. We believe that our dual-brand strategy combined with the strong market recognition and

BUSINESS

reputation enjoyed by our Shareholders, Agile Group and Greenland Holdings, will put us in a strong competitive position in soliciting consultancy businesses from property management companies.

Property owners and residents

We service property owners and residents of all ages located in various regions. As a result, the habits, demands and preferences of our customers vary. We implement different marketing measures for different groups of property owners and residents. For example, for the elderly who are relatively less proficient in smart phones, we will set up interactive terminals in our A-LIVING Experience Center (雅生活體驗中心) to familiarize them with our services and our “A-Steward” (雅管家) mobile application. For younger generations who are more proficient in information technology, we serve as a gatekeeper and filter out inferior choices of services and products for them, make them actively involved in our A-Steward platform and meet their relatively higher requirements for efficiency. Moreover, we provide customized products and services, tailored to the specific localities to bring convenience to local property owners and residents.

CUSTOMERS

We have a large, growing and loyal customer base primarily consisting of property developers, property owners and residents and local property management companies. We have established stable business relationships with most of our major customers for approximately 25 years. The table below sets forth the types of our major customers for each of our three business lines.

Business Line	Major customers
Property management services	Property owners, residents and property developers and local property management companies
Value-added services to non-property owners	Property developers
Value-added services to property owners	Property owners and residents

In 2014, 2015, 2016 and the nine months ended September 30, 2017, revenue derived from sales to our five largest customers accounted for approximately 32.6%, 29.2%, 26.0% and 24.9%, respectively, of our total revenue, by aggregating the sales to the subsidiaries of Agile Group. During the same periods, revenue derived from sales to our single largest customer, which was Agile Group by aggregating the sales to the subsidiaries of Agile Group, accounted for approximately 31.3%, 28.3%, 24.5% and 21.7%, respectively, of our total revenue.

Other than Agile Group, certain of our five largest customers were our associates during the Track Record Period. Greenland Holdings, including its subsidiaries, was our second largest customer for the nine months September 30, 2017. Zhongshan Yahong Real Estate Development Co., Ltd., one of our five largest customers in 2014 and 2015, is an associate company of our Group in which our Group holds a 50% equity interest. The remaining 50% equity interest was held by an independent third party. Guangxi Fuya Investment Ltd., one of our five largest customers in the nine months ended September 30, 2017, is a joint venture held by our Group and a third party. Hainan Agile Hanhai Hotel Management Co., Ltd., one of our five largest customers in 2014 and 2015, is joint owned by certain connected persons of our Group, namely, Mr Chen Zhou Lin, Mr Chan Cheuk Yin, Ms Luk Sin Fong, Fion, Mr Chan Cheuk Hung,

BUSINESS

Mr Chan Cheuk Hei and Mr Chan Cheuk Nam and therefore is an associate of connected persons of our Group. The transactions with our connected persons constituted connected transactions. During the Track Record Period, the gross profit attributable to connected transactions were approximately RMB22.5 million, RMB47.8 million, RMB74.4 million and RMB51.8 million, respectively. During the Track Record Period, revenue derived from sales to our connected persons among our largest five customers accounted for approximately 32.1%, 28.9%, 24.5% and 24.2%, respectively, of our total revenue.

SUPPLIERS

We have established stable and long-term business relationship with most of our major suppliers. The table below sets forth the types of our major suppliers for our three business lines.

<u>Business line</u>	<u>Major suppliers</u>
Property management services	Sub-contractors providing cleaning, greening and gardening, and repair and maintenance services
Value-added services to non-property owners	Sub-contractors providing cleaning, greening and gardening, and repair and maintenance services
Value-added services to property owners	Vendors providing resident services

In 2014, 2015, 2016 and the nine months ended September 30, 2017, purchases from our five largest suppliers accounted for approximately 27.0%, 24.6%, 23.2%, and 18.4%, respectively, of our total purchases. For the same periods, purchases from our single largest supplier accounted for approximately 8.5%, 7.7%, 6.6%, and 5.1%, respectively, of our total purchases.

All of our five largest suppliers during the Track Record Period were independent third parties. As of the Latest Practicable Date, none of our Directors, supervisors, their close associates or any Shareholders who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers. We do not have any long-term agreements with our top five suppliers. We typically enter into one-year agreements with our suppliers and renew them on an annual basis.

SUB-CONTRACTING

We outsource certain labor-intensive services and specialized or technical services, primarily including cleaning, greening, gardening, and repair and maintenance services, to sub-contractors, which enables us to lower our operating costs, improve service quality and dedicate more resources to management and other value-added services. Our sub-contractors specialize in the services they perform and, therefore, operate in an efficient manner. We believe such sub-contracting arrangements allow us to leverage the human resources and technical expertise of the sub-contractors, reduce our labor costs and enhance the overall profitability of our operations. In 2014, 2015, 2016 and the nine months ended September 30, 2017, sub-contracting costs amounted to RMB106.4 million, RMB138.1 million, RMB200.8 million and RMB266.2 million, respectively, representing approximately 14.6%, 17.6%, 21.5% and 34.0%, respectively, of our total cost of sales.

BUSINESS

[As of the Latest Practicable Date, none of our Directors, their close associates or any Shareholders which, to the knowledge of our Directors, owned more than 5% of our share capital had any interest in any of our five largest sub-contractors.]

Selection and Management of Sub-contractors

We maintain a list of qualified sub-contractors. For each sub-contractor included in the list, we track its background, qualifications and past performance in providing sub-contracted services to us. Our list of qualified sub-contractors is subject to periodic review.

We typically engage our sub-contractors through competitive bidding process. The Quality Center of the Group selects competent suppliers that form a supplier pool. The 23 (including nine regional offices of Greenland Property Services) regional offices send invitations for bids to the suppliers in such supplier pool]. The regional offices assess the bids and consider a wide range of factors, including professional qualifications, industry reputation, service quality and price competitiveness. The relevant regional office can approve the engagement.

After a selected sub-contractor commences to provide the contracted services, we regularly monitor and evaluate its performance. The sub-contractors' record will also be updated from time to time based on such evaluations. In each review, each sub-contractor will be assigned a score. Different measures will be taken against our sub-contractors according to their assigned scores. We will terminate the agreement with the sub-contractor who delivered repeated sub-standard performances and remove such sub-contractor from our list of qualified sub-contractors.

Key Terms of Our Sub-Contracting Agreement

A typical sub-contracting agreement entered into between the independent sub-contractors and us generally includes the following key terms:

- **Term.** A sub-contracting agreement typically has a term of one year and may be renewed upon mutual consent. If the performance rendered by the sub-contractors lives up to the agreed standards, we will consider re-engaging such sub-contractors.
- **Our responsibilities.** We are typically responsible for providing on-site staff dispatched by sub-contractors with necessary working space and facilities.
- **Obligations of sub-contractors.** Sub-contractors are responsible for providing services in accordance with the scope, frequency and standards prescribed in the relevant sub-contracting agreements and in compliance with all applicable laws and regulations. In the event of sub-standard performance, sub-contractors are required to take necessary rectification measures within the period required by us. If they fail to do so, we have the right to claim damages, hire alternative sub-contractors to provide the contracted services and subtract any expenses incurred by us from the contract price agreed with the nonperforming or underperforming sub-contractors, or terminate the contract. Sub-contractors are required to manage their staff providing the contracted services and there is no employment relationship between us and the staff of our sub-contractors.
- **Risk allocation.** Sub-contractors are responsible for any damage to property or personal injury caused by the fault of the sub-contractors in the course of providing the

BUSINESS

contracted services. We typically require sub-contractors to indemnify us for any damages that they cause to the properties of the residents and us. Sub-contractors are also required to pay all social insurance and housing provident funds contributions for their staff in accordance with PRC laws and bear the liabilities and responsibilities in the event of any non-compliance with applicable PRC laws or industry standards.

- **Procurement of raw materials.** Raw materials shall be procured by the sub-contractors themselves. The procurement costs are usually included in the sub-contracting fees.
- **Sub-contracting fees.** Sub-contracting fees are typically payable monthly, including costs incurred in connection with the procurement of raw materials, labor costs, equipment maintenance costs, tax expenses and other miscellaneous costs incurred by the sub-contractors.
- **Termination.** We monitor and assess the performance of sub-contractors on a regular basis and can terminate the sub-contracting agreement in the event of repeated substandard performance. The sub-contractors can terminate the sub-contracting agreement if we fail to pay the sub-contracting fee for three months consecutively.
- **No assignment.** Sub-contractors may not assign or sub-contract their obligations to any third party without our prior consent.

QUALITY CONTROL

We prioritize quality in our services and believe quality control is crucial to the long-term success of our business. We have a professional quality control team, who primarily focus on maintaining service standards, standardizing service procedures and supervising service quality throughout our operational processes.

Quality Control over Property Management Services

We obtained the ISO 9000 international quality management system certification in 1999. In 2009, we successfully renewed the certification according to ISO 9001:2008 standards. In 2012, we successfully obtained and incorporated the ISO 14001:2004, ISO 9001:2008 and OHSAS 18001:2007 certifications into our procedures, in recognition of our service quality. We implement a “three-in-one” quality control system by aligning ISO 9001, ISO 14001 and OHSAS 18001, which provides an all-round quality control guidance to our daily operations and minimize disruption to our operations and related costs that we would otherwise incur.

To ensure consistent and high-quality services, we standardize our property management services across all our managed properties. For example, we require our property management staff to complete inspection checklists after each round of regularly-scheduled inspections to monitor and record their most updated conditions. The checklists are specifically designed for different types of devices and equipment. We have also adopted a dual evaluation system comprising our internal supervision and external feedback, which enables us to effectively manage the quality of our services and enhance our customers’ experience. For more details about our standardization initiatives and our dual valuation system, please refer to the sub-section entitled “—Management Digitalization, Service Professionalization, Procedure Standardization and Operation Automation” in this section.

BUSINESS

Quality Control over Sub-contractors

We typically include in the agreements with sub-contractors detailed quality standards for the services to be provided. We regularly monitor and evaluate the performance of the sub-contractors and may require the sub-contractors to take necessary rectification measures when their services do not meet the agreed standards. We also conduct annual surveys among property owners and residents regarding the quality of services provided by our sub-contractors. We have the contractual right to adjust the sub-contracting fees and decide whether to continue our subcontracting contract depending on the outcomes of such surveys. For more details, please refer to the sub-section entitled “—Our Sub-contracting—Selection and Management of Sub-contractors” in this section.

Quality Control over Third-party Vendors

We implement a variety of measures and policies to ensure the quality of the products and services offered by third-party vendors, such as screening candidate vendors before entering into cooperation agreements with them. The vendors are also required to indemnify us for losses incurred due to their defective products or substandard services. We also have the right to replace a third-party vendor in the event of substandard performance.

Feedback and Complaint Management

During the ordinary course of our business operations, we receive feedback, suggestions and complaints (such as report of loss of properties and request for repair of public facilities) from property owners and residents of the properties we manage from time to time regarding our services. We have established internal procedures to record, process and respond to the feedback, suggestions and complaints and conduct follow-up reviews of the results of our responses. We require that all requests and complaints from our customers be responded to within eight hours, with a specific timeline to solve the problems. Requests and complaints that do not get addressed within the specified timeline will be escalated in our management system and will be ultimately addressed. We will revisit our customers within 48 hours after their problems get resolved, and thus ensure that the results are satisfactory to our customers and their confidence in our services is restored.

In order to provide better customer experience and enhance our customer service, we offer a service hotline (400-698-3383) for residents living in the residential properties we manage, which has been up and running since 2014. 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.

During the Track Record Period, we did not experience any customer complaints about our services or products that would have a material adverse impact on our operations or financial results.

RESEARCH AND DEVELOPMENT

As of September 30, 2017, we had a team of 59 research and development personnel, most of whom have college degrees. Our in-house research and development team is primarily responsible for the maintenance of our “A-Steward” (雅管家), “A-Assistant” (雅助手) and “A-Business” (雅商家) mobile applications and our community comprehensive management system, e-commerce transaction system and housing management system.

BUSINESS

Our total expenditure for research and development amounted to nil, RMB0.5 million, RMB6.7 million and RMB4.8 million, respectively, in 2014, 2015, 2016 and the nine months ended September 30, 2017, respectively.

INTELLECTUAL PROPERTY

We regard our intellectual property rights as critical to our success. We primarily rely on laws and regulations on trademarks and trade secrets and our employees’ and third parties’ contractual commitments to confidentiality and non-competition to protect our intellectual property rights. As of the Latest Practicable Date, we had 15 copyrights for our self-developed software, nine trademarks and 21 domain names registered in the PRC and six trademark applications pending approval by PRC State Intellectual Property Office. As of the Latest Practicable Date, we applied to use 43 trademarks.

We use a trademark to market our services under the brand of “Agile,” which is held by one of our related parties, Stand Power Investments Limited, an indirect wholly owned subsidiary of Agile Holdings. We will enter into a trademark license agreement with Agile Holdings and Greenland Holdings, respectively, for the use of the “Agile” and “Greenland” trademarks on a royalty free basis. For further details, see the sections entitled “Connected Transactions—(A) Continuing Connected Transactions Fully Exempt from the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements—I. Trademark Licensing Agreements” and “Risk Factors—Risks Relating to Our Business and Industry—Our failure to protect our intellectual property rights could have a negative impact on our business and competitive position” in this document.

[As of the Latest Practicable Date, Greenland Holdings, was in the process of applying for the registration of the trademark, “Greenland”.] See the section entitled “Risk Factors—Risks Relating to Our Business and Industry—Our failure to protect our intellectual property rights could have a negative impact on our business and competitive position” in this document.

As of the Latest Practicable Date, we were not aware of (a) any infringement which could have a material adverse effect on our business operations by our Group against any intellectual property rights of any third party or by any third party against any intellectual property rights of our Group, or (b) any disputes with third parties with respect to intellectual property rights.

AWARDS AND RECOGNITION

The following tables set forth some of our awards received as of the Latest Practicable Date:

Year	Award/Recognition	Awarding Entity
2017	China Blue Chip Property Company	The Economic Observer
2017	2018 China Property Management Association Group Standard Drafting Company	China Property Management Association
2017	Top 20 of 2017 Top 100 Property Management Companies in China (2017 中國物業服務百強企業)	CIA

BUSINESS

Year	Award/Recognition	Awarding Entity
2017	No. 6 of 2017 China Property Management Leading Brand in Service Specialization (2017 中國物業服務專業化運營領先品牌企業)	CIA
2017	2017 China Leading Property Management Companies in terms of Customer Satisfaction (2017 中國物業服務百強滿意度領先企業)	CIA
2017	2017 China Leading Property Management Companies in terms of Service Quality (2017 中國物業服務百強服務質量領先企業)	CIA
2017	2017 China Leading Property Management Companies in terms of Specialty Services — Leading Brand in Vacation Property Management (2017 中國特色物業服務領先企業 — 旅游地產物業管理領先品牌)	CIA
2017	3.15 Integrity System Entity (3·15 誠信體系單位)	China Foundation of Consumer Protection
2017	3.15 Trustworthy Brands/Products (3·15 放心消費品牌/產品)	China Foundation of Consumer Protection
2017	2017 Leading Brand in Property Management Operations of China (2017 中國物業服務運營領先品牌企業)	CIA
2016	2016 Top 100 Property Management Companies of China (2016 中國物業服務百強企業)	CIA
2015	AAA+ Quality Credit Enterprise of China (AAA+中國質量信用企業)	The Quality Surveillance and Promotion Working Committee of China, Huaxia Zhongcheng (Beijing) Brand Management Center
2014	Green Residential Community in Guangdong (廣東省綠色住區)	The Real Estate Industry Association of Guangdong province
2013	Model Property Management Communities of China (全國物業管理示範住宅小區)	Ministry of Housing and Urban-Rural Development of the PRC
2013	Model Harmonious Communities of China (全國和諧社區建設示範社區)	Ministry of Civil Affairs of the PRC

BUSINESS

COMPETITION

The property management industry in the PRC is highly competitive and fragmented with numerous market participants. We believe that the PRC property management industry has relatively low entry barriers for the mid-tier and low-end segments but relatively higher entry barriers for the high-end segment. As a reputable player in mid- to high-end property management, according to CIA, our property management services primarily compete against large national property management companies. In 2017, we were ranked 12th among the property management companies in China in terms of brand value and overall strength by China Real Estate Industry Association and China Real Estate Appraisal Center. In 2017, we were ranked 13th among the Top 100 Property Management Companies in terms of overall strength by CIA.

We believe that the principal competitive factors include, among others, operation scale, price and quality of services, brand recognition and financial resources.

For more details about the industry and markets that we operate in, please refer to the section entitled “Industry Overview” in this document.

SOCIAL, HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We are subject to PRC laws in relation to labor, safety and environment protection matters. In addition, we have established occupational safety and sanitation systems, implemented the ISO14001 and OHSAS18001 standards, and provided employees with workplace safety trainings on a regular basis to increase their awareness of work safety issues. During the Track Record Period and up to the Latest Practicable Date, we had complied with PRC laws in relation to workplace safety in all material respects and had not had any incidents which have materially and adversely affected our operations.

We consider the protection of the environment to be important and have implemented measures in the operation of our businesses to ensure our compliance with all applicable requirements. Given the nature of our operations, we do not believe we are subject to material environmental liability risk or compliance costs. During the Track Record Period and up to the Latest Practicable Date, no fines or penalties for non-compliance of PRC environmental laws had been imposed on us, and we have not been subject to any material administrative penalties due to violation of environmental laws in the PRC.

INSURANCE

We believe that our insurance coverage is in line with the industry practice in the PRC. We maintain insurance policies against major risks and liabilities arising from our business operations, primarily including (i) liability insurance to cover liabilities for property damages or personal injury suffered by third parties arising out of or related to our business operations, and (ii) property insurance for damages to both movable and immovable property owned by us or in our custody. We require our sub-contractors to purchase accident insurance for their employees who provide services to our Group, and in accordance with our agreements with sub-contractors, the sub-contractors are responsible for all workplace injuries to their employees, except for the injuries directly attributable to us.

We are covered by property and liability insurance policies with coverage features that we believe are customary for similar companies in the PRC. However, our insurance coverage may

BUSINESS

not adequately protect us against certain operating risks and other hazards, which may result in adverse effects on our business. For more details, please refer to the section entitled “Risk Factors—Risks Relating to Our Business and Industry—Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter” in this document.

EMPLOYEES

We place strong emphasis on recruiting quality personnel. We recruit talent from universities and other companies and provide on-going training and development opportunities to our staff members.

As of September 30, 2017, we had a total of 11,796 full time employees in the PRC. The following table sets forth a breakdown of our employees by function as of September 30, 2017:

Function	Number of employees	% of total
Management	51	0.4
Finance and Investment Center	173	1.5
Quality Center	111	0.9
Enterprise Development Center	71	0.6
Human Resource and Administration Center	188	1.6
Business Operation Center	358	3.0
Specialized Companies ⁽¹⁾	229	1.9
Property Management Service Center	9,877	83.7
Greenland Property Services	735	6.3
Total	11,793	100.0

Note:

(1) Specialized companies include Guangzhou Yafang, Guangzhou Yazhuo, Guangzhou Yatian and Guangzhou Yatao.

BUSINESS

The following table sets forth a breakdown of our employees by geographic location as of September 30, 2017:

Location	Number of employees	% of total
Headquarters	135	1.1
Specialized Companies ⁽¹⁾	247	2.1
Greenland Property Services	735	6.3
Guangzhou	2,243	19.0
Zhongshan	2,788	23.6
Chengdu	607	5.1
Hainan	1,465	12.4
Nanjing	581	4.9
Shanghai	432	3.7
Shenzhen	1,348	11.4
Xi'an	421	3.6
Yunnan	459	3.9
Beijing	8	0.1
Shenyang	83	0.7
Zhengzhou	213	1.8
Wuhan	28	0.2
Total	11,793	100.0

Note:

(1) Specialized companies include Guangzhou Yafang, Guangzhou Yazhuo, Guangzhou Yatian and Guangzhou Yatao.

To manage our human resources more efficiently and effectively, we categorize our employees into four levels:

- Level 1: our President;
- Level 2: our Vice Presidents, General Managers, Vice General Managers;
- Level 3: our Department Managers and Directors; and
- Level 4: the grassroots level management and operation teams.

According to the relevant PRC laws and regulations, we make contributions to social insurance fund (including pension fund, medical insurance, unemployment insurance, work-related injury insurance, and maternity insurance) and housing provident fund for the benefit of our PRC employees. In 2014, 2015, 2016 and the nine months ended September 30, 2017, the total amount of contributions we made for such social insurance was approximately RMB40.8 million, RMB46.2 million, RMB63.4 million and RMB59.5 million, respectively. For the same periods, the total amount of contributions we made for housing provident fund was approximately RMB8.4 million, RMB9.2 million, RMB11.8 million and RMB12.5 million, respectively. During the Track Record Period, our Company and some of its PRC subsidiaries did not make in full contribution to the social insurance fund and housing provident fund as required under PRC law. See the section entitled “Risk Factors—Risks Relating to Our Business and Industry—We may be subject to fines for our failure to register for and/or contribute to social

BUSINESS

insurance fund and housing provident fund on behalf of some of our employees” in this document and “—Legal Proceedings and Compliance—Non-compliance Incidents” below for details.

[As of the Latest Practicable Date, our employees did not form any labor union, nor did we have a Chinese Communist Party Committee. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant difficulties in recruiting suitable employees for our business operations. Neither did we have any material disputes with our employees, or experience any strike, labor disputes or industrial actions that may have a material adverse effect on our business, financial position and results of operations.]

Recruiting

We endeavor to hire the best talented employees in the market by offering competitive wages and benefits, systematic training opportunities and internal upward mobility. Our recruiting processes primarily comprise the following stages:

- **demand for talent.** Departments in need of employees report their demand and provide detailed position descriptions and requirements.
- **candidate sourcing.** We source candidates through a variety of channels including online advertisements, headhunters and employee referrals.
- **screening and selection.** Our screening and selection processes primarily include (i) review and screening of resumes by our human resource department, (ii) selection of resumes by the department in need, and (iii) face-to-face interviews by the human resource department and the department in need.
- **hiring.** We assign the selected candidates to specific positions, set their salaries and go through internal approval for hiring such candidates. Once approved, we send offer letters to the selected candidates.
- **evaluation of recruitment.** From time to time, we evaluate our recruiting process and effects, and optimize our recruiting criteria and process accordingly.

Training

We provide systematic and extensive training programs to our employees. Our employee training programs are primarily classified into the following categories:

- For the growth of our businesses: We offer various training programs relating to our businesses to familiarize our employees with our operations and businesses, including trainings to improve the quality of our property management services, trainings relating to value-added services and trainings to facilitate the development of our Company. The training programs for the growth of our businesses include, among others:
 - our quality control system and standards: to introduce our latest quality control rules and standards;
 - sub-contractor supervision and management: to introduce how to conduct daily supervision and management of sub-contractors and ensure they perform to our standards and to the satisfaction of our customers;

BUSINESS

- service diversification and quality control: to teach our employees how to maintain the quality of our various value-added services;
 - takeover procedures and standards: to introduce the inspection procedures we need when we take over a new property for management;
 - digitalization system: to familiarize our employees with our digitalization system such as the electronic entrance control and carpark management systems;
 - ISO certification and standards: to introduce the ISO certifications we have obtained and the implication on our daily operations;
 - compliance and risk management: to introduce the laws and regulations relating to property management industry and the common disputes and risks to avoid;
 - one-stop furnishing services: to introduce our one-stop furnishing services and quality control standards;
 - travel agency services: to introduce our travel agency services and specific products; and
 - management of commercial properties: to introduce services tailored to commercial properties.
- For the growth of our employees: We attach importance to the development of each of our employee. We offer a personnel training program, an internal trainer development program and a new hire training program. Our training programs for the growth of our employees include, among others:
 - property manager training: to provide comprehensive trainings covering all major aspects of property management to our property managers who are the principals for specific properties we manage;
 - department manager training: to provide specific trainings focusing on different aspects of our services, such as customer service, security service and environmental protection, to our department managers who are responsible for such aspect of service;
 - trainer development trainings: to provide trainings to our internal trainers to enhance their proficiency in our business and operations and their training skills; and
 - senior management trainings: to provide training trips, including overseas trips, to our management of and above level 2 to learn from renowned service providers.
 - For the growth of teams: We provide opportunities for teambuilding and for team members to make joint progress. Specifically, we offer a “benchmark” program under which we set certain outstanding employees as benchmark for others to learn from. We also arrange and sponsor certain employees to study abroad and learn the leading

BUSINESS

concepts and advanced experience of the industry overseas. The training programs for the growth of teams include, among others:

- industry forum: to participate in large-scale forums of the property management industry and the Internet industry to connect to the cutting-edge technologies and strengthen professional skills; and
- target learning: by reference to the well-known companies in the industry as the target for specific services, to help our team find the gap between us and the target, catch up with the target and adapt to the rapidly evolving market.

OUR CASH MANAGEMENT POLICY

We have a bank account and cash management system to manage the cash inflows and outflows of our subsidiaries and branches in their ordinary course of business. We monitor the work process of our subsidiaries and branches and approve their bank account opening and cash payments at our Guangzhou headquarters. Moreover, we set the upper limit of cash on hand for our subsidiaries and branches and require them to keep their cash on hand at or below RMB30,000 in their ordinary course of business. Our subsidiaries and branches shall deposit all cash received before 16:00 in their bank accounts before noon the next day. We take stock of the bank accounts and check the cash balances daily and reconcile the accounts monthly to lower the risks associated with cash management. Furthermore, we encourage our subsidiaries and branches to settle their transactions through bank transfers to enhance the safety of funds management.

Cash flow transactions

Payments of property management fees from property owners and residents to our subsidiaries and branches

Cash transfers from our subsidiaries' and branches' bank accounts to our Company's centralized bank account

Cash transfers from our Company's centralized bank account to the bank accounts of our subsidiaries and branches

Cash handling policies and internal control measures

We require our subsidiaries and branches to deposit all cash received in their bank accounts in a timely manner. We check the bank account balances of our subsidiaries and branches on a regular basis.

We transfer the cash deposited in the bank accounts of our subsidiaries and branches to our Company's centralized bank account monthly through a bank-corporation direct transfer channel.

We transfer cash from our Company's centralized bank account to our subsidiaries and branches once our management team have reviewed and approved the cash budgets and plans proposed by our subsidiaries and branches.

BUSINESS

Cash flow transactions

Payments made to suppliers, service providers and subcontractors of our subsidiaries and branches

Cash handling policies and internal control measures

Payments by our subsidiaries and branches to their suppliers, service providers and subcontractors shall be pre-approved by the responsible supervising personnel at a higher level. Once approved, such payments shall be made directly from the bank accounts of our subsidiaries and branches.

We check and monitor the bank account balances and balances of cash on hand of our subsidiaries and branches on a regular basis.

We require our subsidiaries and branches to conduct daily check and monthly reconciliation to identify any discrepancy among their bank account balance, cash on hand and internal accounting system on a timely basis. Any discrepancy will be analyzed and resolved timely.

Various levels of management approve payment applications according to the authority assigned to them by our internal manual.

INTERNAL CONTROL AND RISK MANAGEMENT

We have implemented various risk management policies and measures to identify, assess and manage risks arising from our operations. Details on risk categories identified by our management, internal and external reporting mechanism, remedial measures and contingency management have been codified in our policies. For details of the major risks identified by our management, see the section entitled “Risk Factors—Risks Relating to Our Business and Industry” in this document.

In addition, we face various financial risks, including interest rate, price, credit and liquidity risks that arise during our ordinary course of business. See the section entitled “Financial Information—Quantitative and Qualitative Analysis about Market Risk” in this document for a discussion of these financial risks.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [REDACTED], we have adopted or will adopt, among other things, the following risk management and internal control measures:

- the establishment of an audit committee responsible for overseeing our financial records, internal control procedures and risk management systems. See the section entitled “Directors, Supervisors and Senior Management—Board Committees—Audit Committee” in this document for the qualifications and experience of these committee members as well as a detailed description of the responsibility of our audit committee;

BUSINESS

- the appointment of Mr. Li Dalong as our chief financial officer and Mr. Li Dalong and Ms. Choy Yee Man as our joint company secretaries to ensure the compliance of our operation with relevant laws and regulations. For their biographical details, see the section entitled “Directors, Supervisors and Senior Management” in this document;
- the appointment of Ballas Capital Limited as our compliance advisor upon the Listing to advise us on compliance with the Listing Rules; and
- the engagement of external legal advisors to advise us on compliance with the Listing Rules and to ensure our compliance with relevant regulatory requirements and applicable laws, where necessary.

Finally, we adopt before the [REDACTED], various internal regulations against corrupt and fraudulent activities, which includes measures against receiving bribes and kickbacks, and misuse of company assets. Major measures and procedures to implement such regulations include:

- authorizing our audit department to assume responsibility for daily execution of our anti-corruption and anti-fraud measures, including handling complaints, ensuring protection for the whistleblower and conducting internal investigations;
- providing anti-corruption compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations, and including relevant policies and express prohibitions against non-compliance in staff handbooks; and
- undertaking rectification measures with respect to any identified corrupt or fraudulent activities, evaluating the identified corrupt or fraudulent activities and proposing and establishing preventative measures to avoid future non-compliance.

Our Directors are of the view that such controls and measures are sufficient and effective to avoid the occurrence of corruption, bribery, or other improper conduct of our employees. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any government investigation or litigation with respect to claims or allegations of monetary and non-monetary bribery activities.

PROPERTIES

As of the Latest Practicable Date, we owned 73 properties, including our parking spaces, commercial properties, clubhouses and offices, in various locations in the PRC with an aggregated GFA of approximately 33,014 sq.m., which we held for self-use or sale (in the case of parking spaces). We have obtained the building title certificates for all the properties we own.

We also lease 192 properties in various locations with an aggregated GFA of approximately 86,529 sq.m. for use as office, business operations and staff accommodation.

As of the Latest Practicable Date, we had not filed the lease agreements for 145 out of our 192 leased properties with the local housing administration authorities as required under PRC law, primarily due to a lack of cooperation from the landlords in registering the relevant lease

BUSINESS

agreements, which was beyond our control. We were advised by our PRC Legal Advisor, King & Wood Mallesons, that we might be ordered to rectify this non-compliance by competent authorities and if we fail to rectify within a prescribed period, a penalty of RMB1,000 to RMB10,000 per agreement may be imposed on us as a result of such non-filing. The estimated total amount of penalty for our failure to file these 113 lease agreements is approximately RMB113,000 to RMB1,130,000. [As of the Latest Practicable Date, we had not received any notice from any regulatory authority with respect to potential administrative penalties or enforcement actions as a result of our failure to file the lease agreements described above.] Our PRC Legal Advisor has advised us that the failure to file the lease agreements would not affect the validity of the lease agreements. For more information relating to risks associated with this non-filing, please refer to the section entitled “Risk Factors—Risks Relating to Our Business—Some of our lease agreements have not been filed with the relevant PRC authorities and we might be subject to administrative fines” in this document.

In the event that we are required by the competent authorities to make lease registration, we intend to find alternative locations nearby and relocate in a relatively short time. Given the nature of our business, we do not believe relocation of any of such leased properties would cause any material disruption to our operations. Although we may incur additional relocation costs, our Directors believe that there will not be any material impact on our business, operations or financial position.

We had no single property with a carrying amount of 15% or more of our total assets as of the Latest Practicable Date and, therefore, we did not need to prepare a valuation report with respect to our property interests in reliance upon the exemption provided by Section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

LEGAL PROCEEDINGS AND COMPLIANCE

Legal proceedings

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

Licenses, approvals and permits

[As advised by our PRC Legal Advisor, King & Wood Mallesons, our Directors confirm that, as of the Latest Practicable Date, we had obtained all material licenses, approvals and permits from relevant PRC authorities for our operations in the PRC.

BUSINESS

Historical Non-compliance Incidents

We set out below the non-compliance incidents relating to us during the Track Record Period:

Non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
<p>Social insurance fund and housing provident Fund</p> <p>During the Track Record Period, our Company and some of our PRC subsidiaries and branch offices failed to make full contribution to the social insurance and housing provident funds for some of our employees as required under PRC law. As of September 30, 2017, the aggregate amount incurred and accrued was approximately RMB8.8 million.</p>	<p>These non-compliance incidents were primarily because: (i) some of our employees were migrant workers and not willing to participate in the social welfare schemes of the city in which they migrate temporarily; and (ii) the staff who were formerly in charge of this matter did not fully understand the different regulatory requirements in areas where we operated.</p>	<p>According to the relevant PRC laws and regulations, in respect of overdue social insurance contributions, (a) the relevant PRC authorities may demand us to pay the outstanding social insurance contributions within a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay; if we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions; and (b) in respect of outstanding housing provident fund contributions, we may be ordered to pay the outstanding housing provident fund contributions within a prescribed time period.</p>	<p>Our Company and our PRC subsidiaries and branch offices have obtained written and oral confirmations from local social insurance and housing provident fund authorities, each stating that: (i) no administrative penalty has been imposed; and (ii) the relevant subsidiary / branch office was in compliance with the respective laws and regulations. We are advised by our PRC Legal Advisor that the relevant written and oral confirmations were issued or made by the competent authorities.</p> <p>Our Controlling Shareholder, Zhongshan A-Living, undertakes that in the event that we receive requests from the relevant authorities to pay the overdue social insurance and housing provident funds contributions, or that we are required to pay any late charges or penalties as a result of such overdue contributions, Zhongshan A-Living will pay for us the overdue contributions and any late charges and penalties imposed by the relevant authorities.</p> <p>We have started arranging the payment of social insurance and housing provident funds contributions for our employees since August 2017 and have made contributions for all of our employees starting from October 2017. Based on the communications with the relevant government authorities, the</p>

BUSINESS

Non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
			<p>adjustment of the contribution base is usually made in a designated time each year and such time varies in different regions. As such, we expect to make full contribution for all our employees on an adjusted contribution base in the second half of 2018.</p> <p>We made provisions in the total amount of RMB1.4 million, RMB2.2 million, RMB3.8 million and 1.4 million, respectively, on our financial statements in respect of such potential liabilities in 2014, 2015, 2016 and the nine months ended September 30, 2017.</p> <p>We are in the process of establishing an internal control policy that requires full compliance with the relevant laws and regulations on social insurance fund and housing provident fund and designating an officer who is familiar with the relevant requirements to enforce the policy and avoid future non-compliance. Once such internal control policy has been established, our human resources department will submit semi-annual reports to the audit committee in respect of the status of the social insurance and housing provident funds contributions.</p> <p>Our Directors are of the opinion that this incident will not have a material adverse impact on our business or results of operations for the following reasons: (i) the written confirmations obtained from the relevant competent local authorities described above; (ii) we have made provisions in connection with this non-compliance for relevant periods; (iii) we are in the process of establishing an internal control policy to ensure our ongoing compliance with</p>

BUSINESS

Non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
Tax related non-compliance			
During the Track Record Period, some of our PRC subsidiaries had delayed in tax filings or tax registration, failed to issue, keep or file tax invoices, or failed to withhold and remit individual income tax.	Such non-compliance incidents were due to inadvertent oversight of the responsible personnel of our relevant PRC subsidiaries.	According to the relevant PRC laws and regulations, in respect of our tax related non-compliance incidents, the relevant PRC authorities may demand us to make rectification within a prescribed time limit and pay fines. The relevant competent tax authorities imposed on us fines in an aggregate amount of approximately RMB18,330 during the Track Record Period.	the relevant laws and regulations on social insurance fund and housing provident fund contributions; (iv) the PRC Legal Advisor's opinion that such non-compliance incidents will not result in any substantial impediment to the Listing; and (iv) our Controlling Shareholder, Zhong Shan A-Living, has undertaken to pay any overdue contributions for us if required by the relevant governmental authorities.
		We paid the fines in an aggregate amount of approximately RMB18,330 and made the relevant filings. Our Company and our PRC subsidiaries and branch offices have obtained written confirmations from relevant tax authorities stating that, we were not subject to any other fines or penalties relating to tax. As advised by our PRC Legal Advisor, King & Wood Mallesons, such written confirmations were issued by the competent authorities.	
		We have implemented several internal control measures to enhance our management on tax related matters, requiring independent staff to examine whether tax related matters, including tax filings and tax payment, have been timely conducted. We will examine the compliance of tax related matter and present such matters periodically. If necessary, we will consult with our tax advisors and PRC Legal Advisor for their advice.	

BUSINESS

Non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
<p>Property management fee rate filing</p> <p>During the Track Record Period, one of our PRC branch offices, Guangzhou Property Management Service Co., Ltd. Panyu Branch failed to file with the local government its charged property management fee rate which was higher than the guidance price set by the local government. The aggregate amount of revenue in relation to the property management fee charged at a higher rate than the guidance price set by the local government was RMB13.3 million during the Track Record Period.</p>	<p>Such incident was due to inadvertent oversight of the responsible personnel of Guangzhou Property Management Service Co., Ltd. Panyu Branch.</p>	<p>According to the relevant PRC laws and regulations, in respect of the nonregistration of property management fee rate, the relevant PRC authorities may demand us to complete the filing within a prescribed time limit, confiscate our excess gains with reference to the local guidance prices, and demand us to pay fines for such non-compliance. On December 15, 2014, the Price Administration of Panyu Guangzhou issued an Administrative Penalty Decision, confiscating illegal gains and imposing a fine in an aggregate amount of RMB1.1 million.</p>	<p>We had paid the fine in full and had not received notice of any further penalty in relation to this non-compliance incident as of the Latest Practicable Date. In order to ensure our ongoing compliance with the relevant regulations on property management fee filing, we have implemented several internal control measures, including (i) our regional offices to make a filing of a preliminary property management contract with the relevant governmental authorities, and prepare a register to keep track of the filings; and (ii) our Human Resource and Administration Center and Auditing and Supervision Center to jointly review and check the register of the filings and other relevant documents from time to time and to ask the relevant person in charge of such filing to rectify if there is any non-compliance. Our Directors are of the opinion that this incident will not have a material adverse impact on us, and we believe we have implemented adequate and effective measures internally.</p>