方圓生活服务
FINELAND LIVING SERVICES

Fineland Living Services Group Limited
方 圓 生 活 服 務 集 團 有 限 公 司

(formerly known as Fineland Real Estate Services Group Limited 方圓房地產服務集團有限公司)
(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9978)

ANNUAL REPORT
2021

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. HAN Shuguang *(Chairman)*
(appointed on 15 June 2021)
Ms. RONG Haiming *(Chief executive officer)*
Mr. YI Ruofeng
Ms. TSE Lai Wa

Non-executive Director

Mr. FONG Ming (ceased to be Chairman on 15 June 2021)

Independent non-executive Directors

Mr. LEUNG Wai Hung
Mr. LIAO Junping
Mr. DU Chenhua
Mr. TIAN Qiusheng

Company secretary

Mr. TSO Ping Cheong, Brian
FCPA, FCCA, FCG (CS,CGP), HKFCG (CS,CGP)

Audit committee

Mr. LEUNG Wai Hung *(Chairman)*
Mr. TIAN Qiusheng
Mr. DU Chenhua

Remuneration committee

Mr. TIAN Qiusheng *(Chairman)*
Mr. LEUNG Wai Hung
Mr. YI Ruofeng

Nomination committee

Mr. HAN Shuguang *(Chairman)*
(appointed on 23 December 2021)
Mr. LIAO Junping
Mr. TIAN Qiusheng

Authorised representatives

Mr. TSO Ping Cheong, Brian
FCPA, FCCA, FCG (CS,CGP), HKFCG (CS,CGP)
Mr. YI Ruofeng

Legal advisers

As to Hong Kong Laws
Hogan Lovells

As to PRC Laws
Beijing Jingtian & Gongcheng Law Firm

Auditor

BDO Limited

Principal bankers

Industrial Bank Company Limited,
Guangzhou Tianhe branch

Industrial and Commercial Bank of China,
Guangzhou Liuhua branch

China Construction Bank,
Guangzhou Dongbao Building branch

Registered office

Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1–1108
Cayman Islands

Headquarters in the PRC

No. 28 Tiyu East Road
Tianhe District
Guangzhou
PRC

Principal place of business in Hong Kong

Unit B, 17/F., United Centre
95 Queensway, Admiralty
Hong Kong

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F., Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Principal share registrar and transfer office

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1–1108
Cayman Islands

Company's website address

www.finelandassets.com

CHAIRMAN'S STATEMENT

Looking back in 2021, the real estate market went through ups and downs in one year, when the first half took on the heat from end of 2020 despite regulatory policy tightening up, the second half went downhill quickly after default on bond interest repayments by certain major property developers which triggered downward adjustment in the real estate industry. However at the end of the year, favorable signs from the policy makers started to show, and market confidence was in recovery. Sticking to the principle of "housing is for living, not for speculation", it is expected that adjustments will be made to real estate regulations and financial policies, while the regulatory direction for the real estate industry will remain consistently stable, with the means to stabilize land prices, housing prices and market expectations, in order to promote the healthy development of the property market. This will bring both challenges and opportunities, and real estate market expectations will also be further stabilized.

With the slowdown of economy and urbanization, property sales have shown a declining trend since last July. In 2021, property investment reached RMB14.8 trillion, a year-on-year increase by 4.4% (an increase of 11.7% over 2019, representing an average growth of 5.7% for the two years). In which, the residential property investment reached RMB11.1 trillion, a year-on-year increase by 6.4%. The sales area of commercial housing was 1,794.33 million sq. m., representing a year-on-year increase of 1.9% (increased by 4.6% over 2019, representing an average growth of 2.3% for the two years), in which the sales area of residential buildings increased by 1.1%. The sales volume of commercial housing was RMB18.2 trillion, representing a year-on-year increase of 4.8% (increased by 13.9% over 2019, representing an average growth of 6.7% for the two years), in which residential sales increased by 5.3%.

Despite the market conditions in 2021, the Group delivered rather satisfactory results, where total revenue amounted to approximately RMB571.4 million in 2021, representing an increase of approximately 106.5%, from RMB276.7 million in 2020. This is mainly due to the expansion to property management service segments through acquisition.

Expansion of property management services

Favorable laws and policies will continue to improve a supportive and orderly market environment and accelerate the development of the industry, and the level of urbanization and per capita disposable income have increased significantly in recent years, which have expedited the growth of the property management industry. To capture the opportunities, the Group further expanded the service line into property management and its market coverage through acquisition.

The Group completed the acquisition of approximately 66.31% of equity interests in Guangzhou Fineland E-Life Service Co., Ltd.* (廣州方圓現代生活服務股份有限公司) ("**Fineland E-Life**") in January 2021, a company that provides professional property management services and value-added services for residential and commercial properties. Upon completion, the Group added property management services, value-added services to non-property owners, and community value-added services into the line of business, which constitute an integral part of the Group's main businesses. In the second half of 2021, the Group completed the acquisition of 51% of the equity interests in Changsha Ji Yang Hong Property Management Co., Ltd.* (長沙市霽陽紅物業管理有限公司) ("**Ji Yang Hong**"), and the Group's property management services has since then entered the Changsha market in Hunan Province. In October 2021, the Group announced the acquisition of 60% equity interests in Guangdong Yikang Property Service Co., Ltd.* (廣東益康物業服務有限公司) ("**YiKang**"), which expanded our property management services into Dongguan and Meizhou, thus increased our market share in Guangdong province, the transaction was completed in February 2022.

CHAIRMAN'S STATEMENT

To expand vertically into IT services and achieve technology advancement, the Company completed the acquisition of the entire equity interests in Guangzhou Fangheng Technology Co., Ltd.* (廣州方恒資訊技術有限公司) ("**Fangheng Technology**") in July 2021. Fangheng Technology is principally engaged in the provision of development, supply and maintenance of information technology applications, and is expected to further develop into aspects of smart community and internet of things applications. The acquisition of Fangheng Technology will allow the Group to further develop its services in smart communities. In particular, the acquisition will combine the Group's professional expertise in property management services and allow the Group to provide high quality and sophisticated smart community services to its customers through standardised processes, which will strengthen the Group's operational efficiency and cost control effectiveness.

Continuous Improvement of Brand Value and Influence

To more directly and accurately reflect the expanded business and service scope provided by the Company, the name of the Company was changed to "Fineland Living Services Group Limited" on 1 June 2021. The Company's logo and stock short name were also changed effective on 30 June 2021. The name change can enhance the Company's corporate identity, and bring an attractive and unified brand and presence to customers, investors and the general public.

In the meantime, Mr. HAN Shuguang with over 20 years of experience in property development with Fineland Group Holdings Company Limited ("**Fineland Group Holdings**") and its subsidiaires (the "**Fineland Group**"), was appointed as an executive Director of the Company and the Chairman of the Board with effect from 15 June 2021.

Through diversified business development, the Company has fully empowered its brand value, and was highly recognized by the industry. In 2021, the Company was granted with the following awards.

1. 2021 China Top 8 Real Estate Agencies

2. 2021 China Top 7 Leading Brand of Real Estates Sales Agencies

3. 2021 China Top 21 Property Service Enterprises

4. 2021 China Top 100 Satisfaction Leading Enterprises in Property Service

5. 2021 China Leading Enterprise of Property Service with Chinese Characteristics — Oriental Housekeeper

Looking forward, the Group will continue to leverage the advantage of both a real estate agency service provider and a property management service provider, consolidate the synergy of both characters to better compete in the market, to serve our customers, such as property developers, property owners, facility users, and to further tap into more value-added services that complement the Group's existing services to achieve higher customer satisfaction, improve profitability, ensure a solid financial position and create favourable outcomes with all clients, customers, employees and other stakeholders.

CHAIRMAN'S STATEMENT

On behalf of the Board, I would like to extend our heartfelt gratitude to my fellow Board members, the management and all the staff members for everyone's dedication over the past year. I also would like to express my sincere thanks to our shareholders, customers, and business partners for your trust and support. We will strive with all our might for taking the Company's long-term development and shareholders' value to a much higher level.

HAN Shuguang
Chairman

Hong Kong, 30 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group engages in living services, mainly focusing in Guangzhou and elsewhere in the Greater Bay Area, as well as other parts of the PRC, through two business segments, namely comprehensive real estate agency services and professional property management services. Our business strategy is to expand our services nationwide, with strategic focus on the provision of property management services and complementary value-added services.

The Group's total revenue amounted to approximately RMB571.4 million for the year ended 31 December 2021, representing an increase of approximately 106.5%, from RMB276.7 million in the corresponding period of 2020, which was mainly due to the acquisitions of Fineland E-Life, Ji Yang Hong, etc.

Comprehensive real estate agency services segment

Real estate agency services segment consists of (i) online and offline real estate agency services; (ii) property research and consultancy services; and (iii) integrated services. Revenue recorded from comprehensive real estate agency services was approximately RMB263.9 million for the year ended 31 December 2021, representing a decrease of 4.6% from RMB276.7 million in the corresponding period in 2020, which is relatively stable.

Despite the challenging market conditions with regulatory policies limitations imposed on the proportion of real estate loans and personal housing loans of the financial institutions, which adversely affected the transactions volume, our management team have made timely and accurate decisions to lead the hard working sales team through difficulties, and achieved satisfactory results.

Professional property management services segment

Property management services segment consist of (i) property management services, (ii) value-added services to non-property owners, (iii) community value-added services, and (iv) software services. Revenue recorded from professional property management services was approximately RMB307.6 million for the year ended 31 December 2021.

Development in the property management segment achieved significant performance results in 2021, completion of the acquisition of Fineland E-Life added the segment to the Group's service landscape, and acquisition of Ji Yang Hong expanded our services into Changsha market in Hunan Province. The acquisition of YiKang expanded our services into Dongguan and Meizhou, and increased our market share in Guangdong province.

The synergy achieved the through acquisition of Fangheng will enable the Group to utilize the professional expertise both in property management services and real estate agency services to achieve higher customer satisfaction, cost control effectiveness and operational efficiency.

Property management services

Property management services, a new business line in 2021, is mainly for property developers and property owners. Services provided include standard property management services and ancillary services such as cleaning, gardening, security, repair and maintenance and butler services. The Group provides services for residential and non-residential properties, including office buildings, industry parks, schools, etc. Revenue recorded for property management services was approximately RMB206.6 million for the year ended 31 December 2021. Contracted gross floor areas ("**GFA**") as of 31 December 2021 is approximately 16.1 million square meters, and GFA under management is approximately 10.9 million square meters.

MANAGEMENT DISCUSSION AND ANALYSIS

Value-added services to non-property owners

Value-added services to non-property owners, a new business line in 2021, is mainly for property developers. Services include cleaning, security and maintenance services for pre-sale display units and sales offices, etc. Revenue recorded for value-added services to non-property owners was approximately RMB48.2 million for the year ended 31 December 2021.

Community value-added services

Community value-added services, a new business line in 2021, include common area value-added services, community retail, community media, furnishing services, and other community convenience services to property owners. Revenue recorded for community value-added services was approximately RMB46.4 million for year ended 31 December 2021.

Software services

Software services, a new business line in 2021, include the provision of development, supply and maintenance of information technology applications. Revenue recorded for software services was approximately RMB6.3 million for the year ended 31 December 2021 since the completion of acquisition of Fangheng Technology.

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2021 was approximately RMB571.4 million, representing an increase of approximately 106.5% as compared to RMB276.7 million for the year ended 31 December 2020. Such increase was primarily attributable to the increase in revenue generated from property management services of approximately RMB206.6 million, value-added services to non-property owners of approximately RMB48.2 million, community value-added services of approximately RMB46.4 million, which is mainly due to the acquisitions of Fineland E-Life, Ji Yang Hong, etc.

Cost of services

During the Period, the cost of services of the Group amounted to approximately RMB432.8 million (for the year ended 31 December 2020: approximately RMB226.5 million), representing an increase of approximately 91.1% as compared to the corresponding period of 2020. The increase was mainly due to the increase of employee benefit expenses, cleaning cost, facilities operating cost and security cost for the provision of property management services, value-added services to non-property owners and community value-added services.

Selling and marketing expenses

For the year ended 31 December 2021, the selling and marketing expenses of the Group were approximately RMB6.1 million, representing a decrease of approximately 1.6% as compared to approximately RMB6.2 million for the year ended 31 December 2020, which was mainly due the decrease of revenue from agency services.

Administrative expenses

For the year ended 31 December 2021, the administrative expenses of the Group were approximately RMB99.0 million, representing an increase of approximately 299.2% as compared to approximately RMB24.8 million for the year ended 31 December 2020. Such increase was primarily due to the increase in administrative expenses that brought along with the businesses from the acquisition of Fineland E-Life, Ji Yang Hong, etc.

Net Profit Margin

The net profit margin increased to 5.1% for the year ended 31 December 2021 as compared to 4.2% for the year ended 31 December 2020. This increase was mainly due to business expansion and a relatively larger increase in gross profit than increase in administration expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the Year

As a result of the factors discussed above, the Group made a profit for the year ended 31 December 2021 of approximately RMB29.3 million, compared to approximately RMB11.7 million for the year ended 31 December 2020.

Liquidity and Financial Resources

In 2021 and 2020, the Group's main source of funds has been cash generated from operating activities.

As at 31 December 2021 the Group had net current assets of approximately RMB143.0 million (as at 31 December 2020: approximately RMB142.0 million), total assets of approximately RMB454.2 million (as at 31 December 2020: approximately RMB219.9 million) and shareholders' funds of approximately RMB158.8 million (as at 31 December 2020: approximately RMB140.8 million).

As at 31 December 2021, the bank and cash balances of the Group amounted to approximately RMB90.3 million (as at 31 December 2020: approximately RMB138.5 million).

Indebtedness

As at 31 December 2021, the Group did not have any short-term borrowings (as at 31 December 2020: Nil) nor long term borrowings (as at 31 December 2020: Nil).

Foreign Exchange Risk

As the Group's sales are denominated in Renminbi, the Group's purchases and expenses are either denominated in Renminbi or Hong Kong dollars, and there are no significant foreign currency borrowings, the Group's currency fluctuation risk is considered insignificant. The Group currently does not have a foreign currency hedging policy. The management continuously monitors the foreign exchange risk exposure and will consider hedging significant currency risk exposure should the need arise.

Interest Rate Risk

The Group's exposure to interest rate risk mainly stemmed from fluctuations of interest rates for the Group's bank balances, as the Group had no bank borrowings as at 31 December 2021.

Gearing Ratio

The gearing ratio (calculated as total liabilities divided by total assets) was 55% as at 31 December 2021, as compared to 35% as at 31 December 2020.

Employees and the Group's remuneration policy

As at 31 December 2021, the Group had a total of 2,071 staff (as at 31 December 2020: 687 staff).

For details of total employee benefits and directors' emoluments of the Group, please refer to notes 10 and 11 to the consolidated financial statements.

For the details of share option scheme, please refer to "Share Option Scheme" of the Directors' Report of this Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS

The remuneration policies of the Group are formulated based on the Group's operating results, employees' individual performance, working experience, respective responsibility, merit, qualifications and competence, as well as comparable market statistics and state policies. The emolument policies of the Group are reviewed by the management of the Group regularly.

The Company's policies concerning emoluments of Directors are generally that (i) the amount of emoluments is determined on the basis of the relevant Director's experience, responsibility, workload and the time devoted to the Company; and (ii) non-cash benefits may be provided to the Directors under their remuneration package.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

On 28 January 2021, the Group completed the acquisition of approximately 66.31% of equity interests in Fineland E-Life from Guangzhou Leguan Investment Co., Ltd.* (廣州市樂冠投資有限公司), a company ultimately controlled by Mr. Fong (one of the controlling shareholders of the Company), and Dongling Grain (HK) Co., Limited (東淩糧油(香港)有限公司), an independent third party. The acquisition involved a cash consideration of RMB68,000,000 payable by installments. As of the date of this annual report, all the installments have been fully settled. Upon completion, Fineland E-Life became an indirectly non-wholly owned subsidiary of the Company with its financial results consolidated in the Group's consolidated financial statements. For details of the acquisition, please refer to the announcements of the Company dated 15 October 2020 and 28 January 2021, and the circular of the Company dated 3 December 2020.

On 10 June 2021, the Group, as purchaser, entered into a share purchase agreement with Guangdong Fineland Group Co., Ltd.* (廣東方圓集團有限公司), a vendor and a company ultimately controlled by Mr. Fong, one of the controlling shareholders of the Company, in relation to the acquisition of the entire equity interests in Fangheng Technology at a cash consideration of RMB4,500,000. Upon completion, Fangheng Technology became a wholly-owned subsidiary of the Company with its financial results consolidated in the Group's consolidated financial statements. For details of the acquisition, please refer to the announcement of the Company dated 10 June 2021.

On 30 July 2021, the Group, as purchaser, entered into a share purchase agreement with Shanghai Dongzimen Business Management Partnership (Limited Partnership)* (上海東紫門企業管理合夥企業(有限合夥), as vendor that is ultimately owned by independent third parties in relation to the acquisition of 51% of equity interests in Ji Yang Hong at a cash consideration of RMB24,745,000 payable by installments. The consideration is subject to adjustments depending on whether the net profit targets of Ji Yang Hong for each of the years ending 31 December 2021, 2022 and 2023 could be met. The audited net profit of Ji Yang Hong for the year ended 31 December 2021 was approximately RMB3,779,000, which exceeded the net profit target of RMB3,728,800. Accordingly, the performance target for the year ended 31 December 2021 was met. Upon completion, Ji Yang Hong became an indirectly non-wholly-owned subsidiary of the Company with its financial results consolidated in the Group's consolidated financial statements. For details on the acquisition and net profit targets, please refer to notes 35(a)(iv) and 36(b) to the consolidated financial statements of this annual report and the announcement of the Company dated 30 July 2021.

On 25 October 2021, the Group announced the acquisition of 60% of equity interests in Yikang. For details, please refer to the section headed "Event After The Reporting Period" below.

Save as disclosed above, there were no other material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2021 (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Investments

For the year ended 31 December 2021, no significant investment was held by the Group. As at the date of this Annual Report, the Group had no future plans for material investments or capital assets.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2021 (2020: Nil).

Capital Commitments

The Group had no capital commitments as at 31 December 2021 (2020: Nil).

Impact of the outbreak of COVID-19

The outbreak of COVID-19 in late 2019 and early 2020 have had an adverse impact on the livelihood of the people and the economy of the PRC and may cause temporary disruption to businesses, including our customers, suppliers, sub-contractors. In response to the COVID-19 outbreak, various measures have been implemented, including restrictions on travel and public transport, prolonged closures of workplaces and public places, social-distancing and mandatory quarantines, which have led to a noticeable reduction in regional and national economic activities during the affected periods.

The outbreaks in 2021 did not have any material adverse impact on the Group's business operations and financial condition. Based on the Group's assessment of the impact on its business operations, disruptions were small in scale. The Group considered the impact on its financial condition to be mild. There were also no major effects on the Group's liquidity position or working capital sufficiency.

To ensure a healthy and safe working environment for the Group's employees and to prevent any spreading of COVID-19 in the office or outlets of the Group, the Group has undertaken various precautionary measures, including (a) enhancing the hygienic level of the Group's office and outlets by cleaning and sanitising indoor facilities, elevators and nearby public areas regularly; (b) performing daily temperature checks of all employees; (c) limiting the use of elevators; (d) monitoring travel history of the employees; (e) minimising in-person meetings; and (f) requesting employees to wear masks and report to the Group promptly whenever they feel unwell. These precautionary measures, including purchases of preventive necessities, have had, and are expected to contribute to, a limited increase in costs.

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL RISKS AND UNCERTAINTIES

Below is a summary of certain principal risks and uncertainties, which may materially and adversely affect the achievement of the Group's business progress:

The Group's business is subject to various regulations imposed by the PRC government as the real estate industry as a whole is highly regulated.

The Group's business is subject to extensive laws, governmental regulations and policies, and the Group is susceptible to policy changes in the PRC property industry, such as restrictions or relaxation on purchases or mortgage loans and incentives on rental housing. The Group must comply with various requirements mandated by PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. In addition, the Group is impacted indirectly by laws and regulations designed to influence the wider PRC property sector.

The PRC government exerts considerable influence over the growth and development of the PRC property market through policies and other economic measures, for example, by setting interest rates, controlling the supply of credit by changing bank reserve ratios and implementing lending restrictions, increasing tax and duty on property transfers, and imposing restrictions on foreign investment and currency exchange. Such policies are introduced to curb overheating or speculation in the real estate industry and may reduce market demand for properties overall. In the event that they decelerate the overall growth of property development in the PRC, we may experience slower growth in the market, which could in turn restrict our potential in and efforts to expand our business, and could have a material adverse effect on the Group's business, results of operations, and financial position.

Competition in the real estate agency business and property management business are intense.

The real estate agency business and property management business are intensely competitive and highly fragmented. Some of the Group's competitors may be better positioned, with greater resources and longer standing relationships. Such service providers may be better positioned than we are to compete for customers, financing, skilled management and labor resources. The Group competes with other companies that also provide real estate agency services and property management services and will be susceptible to the local market competition dynamics. The intensity of the competition may result in a shortage of quality employees, increased compensation costs in order to retain them, any of which could materially and adversely affect the Group's business, results of operations, and financial position. In addition, property developers may establish their own in-house property management businesses or engage their affiliated service providers and build their own sales team. These developments may reduce the availability of business opportunities. If the Group is unable to respond to changes in market conditions more quickly or more effectively than its competitors or otherwise maintain or enhance its competitiveness, the Group's business, results of operations and financial position could also be adversely affected.

The Group's business could be adversely affected by an occurrence of a natural disaster, widespread health epidemic or other outbreaks.

The Group is engaged in real estate agency services and property management services mainly in the Greater Bay Area, and other cities in southern China, and the Group's business is subject to general economic and social conditions in this region and in China. Natural disasters, epidemics such as swine flu, avian influenza, severe acute respiratory syndrome (SARS) or coronavirus may adversely affect the economy, infrastructure and livelihood of the people in China. The occurrence of a natural disaster or a prolonged outbreak of an epidemic illness or other adverse public health developments in China could adversely affect the Group's business and operations.

MANAGEMENT DISCUSSION AND ANALYSIS

The recent emergence of the Omicron virus variant, a virus variant causing COVID-19 more infectious than its predecessors, has created more uncertainties for our business operations under the COVID-19 pandemic, which in turn may have an adverse effect on the Group's business, financial condition and results of operations. The outbreak may also affect and restrict the level of economic activity in general as the government may impose regulatory or administrative measures such as quarantining affected areas or other measures to control or contain the outbreak of the infectious disease, which in turn may have a material and adverse effect on the Group's business, financial position and results of operations.

OUTLOOK AND PROSPECTS

According to preliminary estimation, China's GDP in 2021 was estimated to be approximately RMB114.4 trillion, representing an increase of 8.1% compared to that in 2020, putting the two-year average of 5.1%, and the GDP growth rate is set to be around 5.5% in the 2022 Chinese Government Work Report. Considering the influence real estate industry impose on the whole economy and its stable and healthy growth, and in light of the financial difficulties the property developers are facing, numbers of local governments already loosen up certain restrictions to support normal financing activities of property developers and homebuyers, and the easing of real estate policies is expected to run throughout the whole year while preventing financial risks.

For the first two months in 2022, fundamental indicators declined further, and market confidence started to recover from March since the loosen-up of regulatory adjustments from several major cities, the country will probably see the economic growth accelerate in the second half of the year as there is a time lag between the introduction of policies and their effects, with the housing demand remains strong with many first-time home buyers and those who crave better living conditions, which forms the foundation for long-term, steady and sound development of the real estate sector. When the market starts to improve, usually the first-tier cities are among the first to rebound with their economic and population advantages and strong resilience, then followed by the second-tier cities.

In 2022 the Group will continually to focus on business development in the Greater Bay Area by building and maintaining stronger ties with clients and customers with better credit, and undertake more projects in cities where the Group has already successfully entered to increase our market coverage while remaining cautious in relation to market volatility and changes. The Group considers the property management services as the other essential business segment in the Group, which will complement with agency services to achieve synergy. Looking forward, in view of the favourable regulatory policies, the Group intends to consider further expanding its service offerings to cover more community value-added services and lifestyle services.

EVENT AFTER THE REPORTING PERIOD

On 25 October 2021, the Group, as purchaser, entered into a share purchase agreement with Shanghai Lvbaoyuan Business Management Partnership (Limited Partnership)* (上海綠保源企業管理合夥企業（有限合夥）) as vendor who is ultimately owned by independent third parties in relation to the acquisition of 60% of the equity interests in Yikang at a cash consideration of RMB34,398,800 payable by installments. The consideration is subject to adjustments depending on whether the net profit targets of Yikang for each of the years ending 31 December 2021, 2022 and 2023 could be met. As the Board has yet to receive the audited financial statements of Yikang, the Company will further announce the fulfilment of the performance target for the year ended 31 December 2021 as and when appropriate. The acquisition was completed in February 2022. Upon completion, Yikang became an indirectly non-wholly owned subsidiary of the Company and its financial results will be consolidated into the Group's consolidated financial statements. For details of the acquisition, please refer to the announcements of the Company dated 25 October 2021 and 9 February 2022, and note 40 to the consolidated financial statements of this annual report.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board currently consists of nine Directors, comprising four executive Directors, one non-executive Director and four independent non-executive Directors:

Name	Age	Date of appointment as Director	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and senior management
Executive Directors					
HAN Shuguang (韓曙光)	48	15 June 2021	June 2021	Providing strategic plans and general management of our Group	none
RONG Haiming (容海明)	45	16 February 2017	January 2016	Providing strategic plans and general management of our Group	none
YI Ruofeng (易若峰)	44	16 February 2017	January 2016	Overseeing the daily operations, administrative, and finance matters of our Group	none
TSE Lai Wa (謝麗華)	66	16 February 2017	April 1997	Providing advice on overall business plans and overseeing strategic matters	none
Non-executive Director					
FONG Ming (方明)	56	16 February 2017	March 1997	Providing strategic advice to our Group	none
Independent non-executive Directors					
LEUNG Wai Hung (梁偉雄)	54	23 October 2017	23 October 2017	Supervising and providing independent judgement to our Board	none
LIAO Junping (廖俊平)	59	23 October 2017	23 October 2017	Supervising and providing independent judgement to our Board	none
TIAN Qiusheng (田秋生)	66	23 October 2017	23 October 2017	Supervising and providing independent judgement to our Board	none
DU Chenhua (杜稱華)	52	23 October 2017	23 October 2017	Supervising and providing independent judgement to our Board	none

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. HAN Shuguang (韓曙光) ("**Mr. Han**"), aged 48, is the chairman and was appointed as the Company's Executive Director on 15 June 2021. He was appointed as the chairman of the Company's nomination committee on 23 December 2021.

Mr. Han has served as a director of a number of the operating subsidiaries within the Group since 1998. Mr. Han has over 20 years of experience in property development with Fineland Group Holdings Company Limited and its subsidiaries (other than the Group) ("**Fineland Group**"), where he is primarily responsible for land acquisition, investments and financing matters, cost control and legal affairs. He joined Guangzhou Zhanyi Trading Co., Ltd.* (廣州市展逸貿易有限公司) (then known as Guangzhou Fineland Enterprises Company Limited* (廣州市方圓企業有限公司)) in 1994 and was appointed as the executive director of Guangzhou Fineland Real Estate Development Company Limited* (廣州市方圓房地產發展有限公司) (then known as Guangzhou Rongxing Development Company Limited* (廣州榮星房地產發展有限公司)) in October 1995.

Mr. Han was appointed as the vice general manager and the authorised representative of Guangzhou Fineland in 2000. He obtained his bachelor's degree in history from Sun Yat-sen University in the PRC in June 1994.

Ms. RONG Haiming (容海明) ("**Ms. Rong**"), aged 45, is the Chief Executive Officer and was appointed as the Company's Executive Director on 16 February 2017 and is primarily responsible for strategic planning and general management of the Group. She served as the chairman of the Company's nomination committee from 23 December 2017 to 23 December 2021.

In August 1999, Ms. Rong joined Fineland Group as a deputy manager in the marketing and sales management department and was promoted to the manager and general manager of the same department in January 2004 and May 2005 respectively. She stayed with the same department until December 2009 and throughout such period she was mainly responsible for planning of sales and marketing. In between December 2009 and June 2010, Ms. Rong was the general manager of the commercial property management department of the Fineland Group and was mainly responsible for property management. Ms. Rong was given the title of vice-president of the Fineland Group in June 2010 and subsequently the title of director of the Fineland Group in November 2014, and held such title until December 2015, throughout which she was mainly responsible for the strategic planning and general management of the Fineland Group. In January 2016, Ms. Rong joined Guangzhou Fineland Living Services Limited* (廣州方圓生活服務有限公司) ("**Guangzhou Fineland Living**"), a principal operating subsidiary of the Company as a general manager, being primarily responsible for providing strategic advice, overseeing the management and administration of the company, and has held the same position since then. Ms. Rong is also currently a director of Fineland Group.

Ms. Rong obtained her bachelor's degree in marketing from Sun Yat-Sen University in the PRC in June 1999 and her master's degree in corporate management from the Sun Yat-Sen University in the PRC in December 2007.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. YI Ruofeng (易若峰) ("**Mr. Yi**"), aged 44, was appointed as an Executive Director on 16 February 2017 and is primarily responsible for overseeing the daily operations, administration and finance matters of the Group.

From July 1999 to April 2007, Mr. Yi worked at Guangdong Yangcheng Certified Public Accountants Company Limited, his last position held was a business manager and was responsible for handling audit work. Mr. Yi joined the Fineland Group in April 2007 as the deputy general manager of the audit centre of the Fineland Group and was mainly responsible for handling audit work. He was subsequently promoted to the position of deputy general manager of the regulatory and audit monitoring control centre of the Fineland Group in June 2010, a position he held until December 2015, and he was responsible for handling compliance and audit work of the company. In January 2016, Mr. Yi joined Guangzhou Fineland Living as a deputy general manager, being primarily responsible for overseeing the daily operations, administration and finance of the company.

Mr. Yi obtained his bachelor's degree in Finance from Jinan University in the PRC in June 1999. He has been a registered accountant of the Ministry of Finance of the PRC since December 2002, obtained the Intermediate Accounting Certification from the Ministry of Finance of the PRC in May 2005 and was admitted as a registered accountant of CPA Australia in November 2015.

Ms. TSE Lai Wa (謝麗華) ("**Ms. Tse**"), aged 66, was appointed as an Executive Director on 16 February 2017 and is one of the controlling shareholders of the Company. She joined the Group in April 1997 as a director of Guangzhou Fineland Living, a position which she has been holding since then and has been responsible for providing advice on overall business plans and overseeing strategic matters.

Prior to joining the Group, Ms. Tse worked as an administrative manager in Nanfang Hospital* (南方醫科大學南方醫院) from October 1976 to October 1992, primarily responsible for daily administrative and logistics management. From March 1996 to March 1997, Ms. Tse worked as a manager of the Fineland Group, and was mainly responsible for administrative work.

Ms. Tse completed an intensive course on executive masters in business administration from the Hong Kong SinoAustralia Management College in June 2001.

Non-executive Director

Mr. FONG Ming (方明) ("**Mr. Fong**"), aged 56, was appointed as the Non-executive Director on 16 February 2017 and was previously the chairman of the Company till 15 June 2021. He is one of the founders of the Group and one of the controlling shareholders of the Company. Mr. Fong is primarily responsible for providing strategic advice to the Group.

Mr. Fong has over 20 years of experience in property development, property consultancy and business management. He was the chairman and general manager of Guangzhou Fineland Enterprises Company Limited* (廣州方圓企業有限公司) and Guangzhou Fineland Real Estate Development Company Limited* (廣州市方圓房地產發展有限公司) from 1994 to 1997, in which he was primarily responsible for overseeing the management of the companies. He was also the chairman and president of Guangdong Fineland Group Co., Ltd* (廣東方圓集團有限公司) from 1997 to 2006 in which he was primarily responsible for overseeing the operations of the company. Since 2006, he has been the chairman and the president of the Fineland Group and has been primarily responsible for making investment decisions, providing overall strategic planning and supervising property development projects of the Fineland Group.

Mr. Fong obtained his bachelor's degree in law from the Sun Yat-Sen University in the PRC in July 1987 and was qualified as a lawyer by Department of Justice in Guangdong Province in April 2007.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. LEUNG Wai Hung (梁偉雄) ("**Mr. Leung**"), aged 54, was appointed as an independent Non-executive Director on 23 October 2017 and is primarily responsible for supervising and providing independent judgment to the board of directors. Mr. Leung is also the chairman of the audit committee and a member of the remuneration committee of the Company.

Mr. Leung has more than 20 years working experience in various listed companies in Hong Kong mainly engaged in property development including Cheung Kong (Holdings) Limited (now known as CK Hutchison Holdings Limited) (stock code: 001). Mr. Leung also has extensive experience in real estate investment trust ("**REIT**"). He participated in the IPO setup of the first private sector REIT, Prosperity REIT (stock code: 808) in Hong Kong in 2005 and worked for the manager of Fortune REIT (stock code: 778) as a Finance Director from 2011 to 2012. Fortune REIT was dually listed in both Hong Kong and Singapore. Other than property development, he has also worked as the financial controller of Shougang Concord International Enterprises Company Limited (now known as Shoucheng Holdings Limited) (stock code: 697) ("**SCIECL**") from 2013 to 2018. SCIECL is a state-owned enterprise and a member of Shougang Group Co., Ltd, one of the top 10 steel producers in the world. Mr. Leung was an independent non-executive director of a listed GEM Board Company in Hong Kong, Beaver Group (Holding) Company Limited (stock code: 8275) from September 2017 to February 2021. Since 9 July 2021, Mr. Leung was appointed as an independent non-executive director of China Fortune Holdings Limited (stock code: 110), a Main Board listed Company.

Mr. Leung also has extensive financial knowledge in initial public offering, merger and acquisition as well as fund raising and is familiar with the business environment of both Hong Kong and the Mainland China.

Mr. Leung holds a Bachelor Degree of Business Administration from the Chinese University of Hong Kong. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Dr. LIAO Junping (廖俊平) ("**Dr. Liao**"), aged 59, was appointed as an Independent Non-executive Director on 23 October 2017 and is primarily responsible for supervising and providing independent judgement to the board of directors. Dr. Liao is also a member of the nomination committee of the Company.

Dr. Liao has more than 35 years of experiences in providing property-related tertiary education. From July 1983 to November 1984, Dr. Liao was a supervision engineer in the infrastructure department of Wuhan Urban Construction Institute* (武漢城市建設學院) and was responsible for overseeing building projects. From December 1984 to October 1992, Dr. Liao was a teacher in the urban management department of Wuhan Urban Construction Institute and participated in founding the urban management and real estate management tertiary education courses of the institute. From October 1992 to May 1995, Dr. Liao was a lecturer in the construction management department of Wuhan Urban Construction Institute. From May 1995 to April 1998, Dr. Liao was a lecturer and then associate professor of the property operations and management courses in the department of economics in Lingnan (University) College, Sun Yat-Sen University* (中山大學嶺南學院). From April 1998 to January 2002, Dr. Liao was an associate professor and deputy head of the business management department of Lingnan (University) College, Sun Yat-Sen University. Since January 2002, Dr. Liao has been serving as an associate professor and afterwards, a professor in the business management department of Lingnan (University) College, Sun Yat-Sen University. He is also currently the director of the Centre of Real Estate Studies in Lingnan (University) College, Sun Yat-Sen University.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Dr. Liao is also currently the expert consultant of the China Institute of Real Estate Appraisers and Agents* (中國房地產估價師與房地產經紀人學會), the founding member of the board of China Association of Real Estate Academicians* (中國高等院校房地產學者聯誼會), the founding president of the Guangzhou Association of Real Estate Agents* (廣州市房地產中介協會), the founding member of the council of directors of the Global Chinese Real Estate Congress* (世界華人不動產學會), the chairman of the Sun Yat-Sen University Branch of China Democratic National Construction Association* (民建中山大學支部), a member of the National Property Development and Management for Tertiary Education Institutes Committee (全國高等學校房地產開發與管理和物業管理學科專業指導委員會) from 2013 to 2018, and a member of the Eleventh and the Twelfth Guangdong Provincial Committee of the Chinese People's Political Consultative Conference. Dr. Liao had previously served as the president of the Guangzhou Real Estate Appraisal Association* (廣州市房地產評估專業人員協會) in between 2004 and 2010.

Dr. Liao obtained his bachelor's degree in civil engineering from Zhejiang University* (浙江大學) in 1983, his master degree in engineering management from Tongji University in July 1989, and his doctorate degree in world economics from Lingnan (University) College, Sun Yat-Sen University in June 2007. Dr. Liao was certified as a certified real estate appraiser in September 1994.

Mr. TIAN Qiusheng (田秋生) ("**Mr. Tian**"), aged 66, was appointed as an Independent Non-executive Director on 23 October 2017 and is primarily responsible for supervising and providing independent judgement to the board of directors. Mr. Tian is also the chairman of the remuneration committee and a member of the audit committee and nomination committee of the Company.

Mr. Tian has more than 30 years of experiences in providing business and finance related tertiary education. From July 1982 to July 2005, Mr. Tian held different positions in the School of Economics of Lanzhou University, including being the deputy head of the department. Since July 2005, Mr. Tian has held various positions in South China University of Technology, including being the deputy head of the economics and trade department, the general manager of the finance department, and the director of the regional business research centre of the university from July 2015 to June 2017.

Mr. Tian is also a member of the China International Finance Society, a guest economist of the National Bureau of Statistics for China's economic climate survey, a member of the Academic Committee under the Guangdong Finance Institute, a member of the Academic Committee under the Guangdong Regional Financial Policy Research Center, the director of the Academic Committee under the Guangdong Industry Research Institute, a member of the Teaching Steering Committee of the National Economics Management Experimental Teaching Demonstrative Center (Zhongshan University), a vice president of the Guangdong Financial Think-tank Federation, a financial consultant for Guangdong Province, an expert member of the Decision-making and Advisory Committee of the Guangzhou People's Government, and a counselor of the Guangdong People's Government.

Mr. Tian is currently an independent non-executive Director of Guangzhou Lingnan Holding Joint-Stock Company Limited* (廣州嶺南控股股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 524), Livzon Pharmaceutical Group Inc.* (麗珠醫藥集團股份有限公司), a company listed on The Stock Exchange of Hong Kong Limited (stock code: 1513), Wanlian Securities Joint-Stock Company Limited* (萬聯證券股份有限公司), Zhuhai Rural Commercial Bank Company Limited* (珠海農村商業銀行股份有限公司), Guangdong Audiowell Technology Joint-Stock Company Limited* (廣東奧迪威傳感科技股份有限公司), and Hucai Printing Co., Ltd.* (虎彩印藝股份有限公司).

Mr. Tian obtained his bachelor's degree in Economics from the Lanzhou University in June 1982 and his doctorate degree in Economics from the Northwest University in the PRC* (西北大學) in June 2001.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. DU Chenhua (杜稱華) ("**Mr. Du**"), aged 52, was appointed as an Independent Non-executive Director on 23 October 2017 and is primarily responsible for supervising and providing independent judgement to the board of directors. Mr. Du is also a member of the audit committee of the Company.

Previously, from February 1997 to December 2003, Mr. Du was the manager of the legal department of Guangdong Guangkong Group Limited* (廣東廣控集團有限公司) which was then a wholly-owned subsidiary of China Guangfa Bank. From January 2004 to December 2014, Mr. Du was a senior partner of Guangdong Guardian Law Firm and was mainly responsible for providing legal services. Since February 2015, Mr. Du has been a director and a senior partner of Guangdong YingZhen Law Firm* (廣東瀛真律師事務所).

Mr. Du is currently the deputy general manager of the Guangzhou Law Society Civil Law Committee* (廣州市法學會民法專業委員會), a manager of the Guangzhou Law Society Distressed Assets Committee* (廣州市律師協會不良資產專業委員會), a representative of the Guangdong Province Lawyer's Congress* (廣東省律師代表大會), and a committee member of the Guangzhou Arbitration Commission.

Mr. Du obtained his bachelor's degree in law from Wuhan Institute of Water Transportation* (武漢水運工程學院) in June 1992, his bachelor's degree in finance from the Nanjing University International Business School in July 1996, his master's degree in law from Jinan University in June 2002, and his doctorate degree in law from Wuhan University in December 2012. Mr. Du was qualified as a lawyer by the Department of Justice in Guangdong Province in April 2015.

SENIOR MANAGEMENT

The following table set forth the information concerning our senior management:

Name	Age	Position	Date of appointment of current position	Date of joining our Group	Roles and responsibilities	Relationship with others Directors and senior management
XU Peng (徐鵬)	42	Deputy general manager	January 2016	January 2016	Sales and marketing of property projects	none
ZHU Xiaoming (朱曉明)	37	Deputy general manager	January 2016	March 2012	Sales of primary property projects	none
OUYANG Xiaoqing (歐陽小青)	39	Assistant to the Chairman and, general manager of risk control department	March 2021	January 2021	General risk control management	none

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. XU Peng (徐鵬) ("**Mr. Xu**"), aged 42, joined our Group in January 2016 as a deputy general manager and is currently primarily responsible for the sales of primary property projects of our Group.

Prior to joining the Group, Mr. Xu was a sales director at Guangdong Nonghao Group Yantang Property Development Limited* (廣東農墾集團燕塘地產開發公司) in between July 2001 and March 2007, and was primarily responsible for sales. In between March 2007 and May 2009, Mr. Xu was a deputy sales director at Guangzhou Qintian Property Group Limited* (廣州市勤天地產集團有限公司), and was primarily responsible for sales. In between May 2009 and March 2010, Mr. Xu was a deputy general manager at Guangzhou Jiuru Real Estate Consultancy Limited* (廣州九如房地產諮詢有限公司), and was responsible for providing real estate consultancy services. In between March 2010 and March 2011, Mr. Xu was a project director at Guangzhou World Union Property Consultancy Company Limited* (廣州市世聯房地產咨詢有限公司), and was primarily responsible for sales. In between March 2011 and July 2011, Mr. Xu was a sales director at Cinese Group* (富盈地產集團), and was primarily responsible for sales. From August 2011 to December 2015, Mr. Xu worked for the Fineland Group as a senior manager of the marketing department and was mainly responsible for the sales and marketing of properties.

Mr. Xu obtained his bachelor's degree in real estate operations and management from Huazhong University of Science and Technology in June 2001 and his master's degree in law from Sun Yat-Sen University in June 2006.

Ms. ZHU Xiaoming (朱曉明) ("**Ms. Zhu**"), aged 37, joined our Group in March 2012 as a manager of the primary property sales department of Guangzhou Fineland Living and was primarily responsible for project management and sales, and was eventually promoted to be the deputy general manager of Guangzhou Fineland Living in January 2016. Ms. Zhu is currently primarily responsible for the sales of primary property projects of our Group.

Prior to joining the Group, Ms. Zhu was a senior planning manager at Jingboheng Property Consultancy Limited* (景博行地產諮詢有限公司) in between January 2005 and March 2011, and was primarily responsible for sales planning. In between April 2011 and March 2012, Ms. Zhu worked for Guangdong Chuanghong Investment Company Limited* (廣東創鴻投資有限公司) and Guangzhou Wanye Property Development Company Limited* (廣州萬業房地產開發有限公司), and was primarily responsible for sales planning.

Ms. Zhu completed a higher education course in journalism from Sun Yat-Sen University in January 2013.

Ms. OUYANG Xiaoqing (歐陽小青) ("**Ms. Ouyang**"), aged 39, joined the Group in January 2021 as a deputy general manager after the completion of the acquisition of Fineland E-Life. She was promoted to become the general manager of the risk control department and assistant to the Chairman in March 2021, and is currently primarily responsible for risk control management.

Prior to joining the Group, Ms. Ouyang was a legal affair specialist and the legal affairs manager at Fineland Group in between June 2007 to December 2021. In between January 2013 to June 2015, Ms. Ouyang was head of human resources and administration department at Guangzhou Huizhao Services Limited* (廣州市輝兆商務服務有限公司). In between June 2015 to March 2021, Ms. Ouyang joined Fineland E-Life as legal director, then promoted to secretary to the Board and the deputy general manager.

Mr. Xu, Ms. Zhu and Ms. Ouyang do not have any current or past directorships in any listed companies.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Mr. TSO Ping Cheong, Brian (曹炳昌) ("**Mr. Tso**"), aged 42, joined the Group on 21 March 2017 as the company secretary.

Mr. Tso is currently a director of a corporate services company and has over 15 years of accounting and financial experience. He is a fellow member of the Association of Chartered Certified Accountants and a certified public accountant (practicing) of the Hong Kong Institute of Certified Public Accountants. He is also a fellow member of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators).

Mr. Tso obtained his bachelor's degree in accountancy in November 2003 and master's degree in corporate governance in October 2013 from the Hong Kong Polytechnic University.

BOARD COMMITTEES

Audit Committee

Our Company has established an audit committee on 23 October 2017 with written terms of reference revised and adopted on 26 May 2020 in light of the Company's transfer of listing to the Main Board of the Stock Exchange. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control system of the Group. The audit committee has three members comprising Mr. LEUNG Wai Hung, Mr. TIAN Qiusheng and Mr. DU Chenhua, of whom Mr. LEUNG Wai Hung has been appointed as the chairman of the audit committee. For details, please refer to the Corporate Governance Report in the next section.

Remuneration Committee

Our Company has established a remuneration committee on 23 October 2017 with written terms of reference revised and adopted on 26 May 2020 in light of the Company's transfer of listing to the Main Board of the Stock Exchange. The remuneration committee has three members comprising Mr. YI Ruofeng, Mr. LEUNG Wai Hung and Mr. TIAN Qiusheng, of whom Mr. TIAN Qiusheng has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are, amongst other things, to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management and to make recommendation to the Board on the Group's policy and structure for all remuneration of the Directors and senior management. For details, please refer to the Corporate Governance Report in the next section.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

Our Company has established a nomination committee on 23 October 2017 with written terms of reference revised and adopted on 26 May 2020 in light of the Company's transfer of listing to the Main Board of the Stock Exchange. The nomination committee has three members comprising Mr. HAN Shuguang, Mr. LIAO Junping and Mr. TIAN Qiusheng, of whom Mr. HAN Shuguang has been appointed as the chairman of the nomination committee. The nomination committee is mainly responsible for reviewing the structure, size, composition and diversity of the Board and make recommendations to the Board on the appointment of our Directors and management of Board succession. For details, please refer to the Corporate Governance Report in the next section.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

During the year ended 31 December 2021, total remuneration (including salaries and bonus, allowances, and pension costs) paid by us to our Directors amounted to approximately RMB3.0 million (2020: RMB3.2 million).

Out of the five highest paid individuals, total remuneration (including salaries and bonus, and pension costs) paid to the three (2020: three) non-director, highest paid individuals of our Group during the year amounted to approximately RMB2.6 million (2020: RMB2.3 million).

We did not pay our Directors or senior management any inducement fees to join us or as compensation for loss of office for each of the years ended 31 December 2021 and 2020. Furthermore, none of our Directors waived any compensation for the same period.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of directors' fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of our Group. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. We regularly review and determine the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

CORPORATE GOVERNANCE REPORT

Corporate Governance Report

The Board is committed to promoting high standards of corporate governance through its continuous effort in improving its corporate governance practices and process. The Board believes that sound and reasonable corporate governance practices are essential for sustainable growth of the Group and for safeguarding the interests and the Group's assets.

A clear governance structure has been established, the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee in accordance with the relevant laws, the amended and restated articles of association of the Company (the "**Articles of Association**") and the respective terms of reference. Each entity continuously supervise and improve the corporate governance standard and respective policies of the Company to form a sound corporate governance structure.

The Board has reviewed the Group's corporate governance practices and respective policies and is satisfied that, for the year ended 31 December 2021, the Company had complied with all the code provisions set out in the Corporate Governance Code (the "**CG Code**") in Appendix 14 of the Listing Rules except for Code Provision A.5.1 (as it then was) of the CG Code as described in the section headed "The Board Committees – Nomination Committee" below.

Model Code for Directors' Securities Transactions

The Company has adopted the code of conduct for securities transactions by directors on terms equivalent to the Model Code for securities Transactions by Directors of the Listed Issuers (the "**Model Code**") in Appendix 10 to the Listing Rules. The Company had made specific enquiries with written guidelines in relation to the Model Code to all Directors and all Directors have confirmed that they complied with the required standards set out in the Model Code for the year ended 31 December 2021.

The Board

During the year ended 31 December 2021, the Board comprised the following Directors:

Executive Directors

Mr. HAN Shuguang *(Chairman)* (appointed on 15 June 2021)
Ms. RONG Haiming *(Chief Executive Officer)*
Mr. YI Ruofeng
Ms. TSE Lai Wa

Non-executive Director

Mr. FONG Ming (ceased to be Chairman on 15 June 2021)

Independent Non-executive Directors

Mr. LEUNG Wai Hung
Mr. LIAO Junping
Mr. TIAN Qiusheng
Mr. DU Chenhua

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and the Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs and overseeing the achievement of strategic plans to enhance shareholders' value.

CORPORATE GOVERNANCE REPORT

Generally, the Board is responsible for all major aspects of the affairs of the Company, including:

- formulation of overall strategies and review of its financial performance and results and the risk management and internal control systems;
- policies relating to key business and financial objectives of the Company;
- material transactions, including acquisition, investment, disposal of assets or capital expenditure;
- appointment, removal or reappointment of Board members and auditors;
- communication with key stakeholders, including shareholders and regulatory bodies; and
- recommendation to shareholders on final dividend and the declaration of any interim dividends.

The Board is responsible for maintaining proper accounting records so as to enable the Directors to monitor and disclose with reasonable accuracy the financial position of the Group. The Board updates Shareholders on the operations and financial position of the Group through interim and annual results announcements as well as the publication of timely reports and announcements of other matters as prescribed by the relevant laws, rules and regulations.

Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors, at the expense of the Company. All Directors, including Independent Non-executive Directors assume the responsibilities to the Shareholders for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company.

The Non-executive Directors (including the Independent Non-executive Directors), advise the Company on strategic and critical matters. The Board considers that each Non-executive Director brings his own senior level of experience and expertise to the constructive functioning of the Board. To this end, regular informal meetings are held between the Executive Directors and Non-executive Directors. The Chairman held one meeting with the Non-executive Directors without the presence of the Executive Directors to evaluate the functioning of the Board.

The Company has received annual written confirmations from each of the Independent Non-executive Directors on their independence in accordance with the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules and the Company also considers that all of them are independent and not having any relationship that could materially interfere with the exercise of their independent judgment.

Each of the Executive Directors and the Non-executive Directors, has entered into a service contract with the Company until terminated by either party giving not less than one month written notice to the other expiring at the end of the term of their appointment or any time thereafter. The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

The Executive Directors of the Company have the responsibility to oversee and monitor the operation of specific business areas and to implement the strategies and policies set by the Board and the day-to-day management of the Company is delegated to the management.

There is no relationship (including financial, business, family or other material/relevant relationship) between any members of the Board.

CORPORATE GOVERNANCE REPORT

The Board Committees

For the formation and responsibilities of the Board committees, please refer to pages 24 to 28 of this Annual Report.

Remuneration Committee (the "RC")

The RC was set up on 23 October 2017 with written terms of reference which were revised and adopted on 26 May 2020. The primary duties of the RC are, among other things, to establish and review the policy and structure of the remuneration of our Directors and senior management, make recommendations on employee benefit arrangements to the Board, review and approve the remuneration of Directors with reference to the Board's corporate goal and objectives, and determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management. To minimise any conflict of interest, any member who is interested in any given proposed motion is required to abstain from voting on such motion. The RC is formed by two independent non-executive directors, one executive director, and chaired by an independent non-executive Director. The RC had 2 meetings during the year ended 31 December 2021 at which it has reviewed the terms of reference and discussed the 2021 performance bonus proposal of the Company, and discussed the remuneration packages of Directors and senior management of the Company, and the attendance of each member is set out as follows:

Name of members of RC	Number of meetings attended in the financial year ended 31 December 2021
Mr. TIAN Qiusheng *(Chairman of RC)*	2/2
Mr. LEUNG Wai Hung	2/2
Mr. YI Ruofeng	2/2

Nomination Committee (the "NC")

The NC was set up on 23 October 2017 with written terms of reference which were revised and adopted on 26 May 2020. The primary duties of the NC are, among other things, to review the structure, size and composition (including but not limited to the gender, skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. When identifying suitable director candidates and making recommendations to the Board, the NC will consider factors such as a mix to promote diversity of background and experience on the Board, competency, business, technical, or specialised skills, and commitment and willingness to serve. Prior to 23 December 2021, the nomination committee had three members comprising Ms. RONG Haiming, Mr. LIAO Junping and Mr. TIAN Qiusheng, of whom Ms. RONG Haiming was as the then chairman of the nomination committee. The Company deviated from Provision A.5.1 (as it then was) of the CG Code as the nomination committee was not chaired by the chairman of the Board or an Independent Non-executive Director. The nomination committee was chaired by an Executive Director instead because the Board believed that an Executive Director involved in the daily operations of the Company may be better positioned to review the composition of the Board so as to complement the Group's corporate development strategy and has a better understanding of the needs of the Group. In order to comply with Rule 3.27A of the Listing Rules which became effective on 1 January 2022, Mr. HAN Shuguang was appointed as the chairman of the nomination committee on 23 December 2021, and Ms. RONG Haiming ceased to be the chairman of the nomination committee on the same day. Since 23 December 2021, the NC comprises two independent non-executive directors, one executive director, and is chaired by an executive Director who is also the chairman of the Board. The NC had 2 meetings during the year ended 31 December 2021 at which it reviewed the terms of reference, structure, size and composition (including the skills, knowledge and experience) of the Board, assessed the independence of the Independent Non-executive Directors and made recommendations to the Board on the re-appointment of Directors considering their experience and qualifications. The attendance of each member is set out as follows:

CORPORATE GOVERNANCE REPORT

Name of members of NC	Number of meetings attended in the financial year ended 31 December 2021
Mr. Han Shuguang *(Chairman of NC from 23 December 2021)*	0/0
Ms. RONG Haiming *(Ceased to be chairman of NC from 23 December 2021)*	2/2
Mr. LIAO Junping	2/2
Mr. TIAN Qiusheng	2/2

Audit Committee (the "AC")

The AC was set up on 23 October 2017 with written terms of reference which were revised and adopted on 26 May 2020. The primary duties of the AC are, among other things, to make recommendations to our Board on the appointment, reappointment and removal of external auditor, review the financial statements (including those included in the annual report and interim report of the Company), oversee our financial reporting process, risk management and internal control procedures, risk management systems and audit process and perform other duties and responsibilities assigned by our Board. The AC comprises all independent non-executive directors and is chaired by an independent non-executive Director, Mr. LEUNG Wai Hung. He is a fellow member of Association of Chartered Certified Accountants and also a member of Hong Kong Institute of Certified Public Accountants, and he possesses extensive experience in finance and accounting. The AC had 2 meetings during the year ended 31 December 2021 at which it reviewed the terms of reference and discussed the Company's audited consolidated financial results for the year ended 31 December 2020, including the accounting principles and practice adopted by the Group, the Company's compliance with the CG Code, the effectiveness of the Group's risk management and internal control systems as well as the Group's internal audit function. The AC has recommended to the Board to consider the reappointment of BDO Limited as the Company's external independent auditors at the forthcoming annual general meeting. The attendance of each member is set out as follows:

Name of members of AC	Number of meetings attended in the financial year ended 31 December 2021
Mr. LEUNG Wai Hung *(Chairman of AC)*	2/2
Mr. TIAN Qiusheng	2/2
Mr. DU Chenhua	2/2

Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board. The board diversity policy (the "**Diversity Policy**") adopted aims to set out the approach to achieve diversity on the Board. A summary of the Diversity Policy is set out below:

CORPORATE GOVERNANCE REPORT

Measurable Objectives and Implementation

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Monitoring and Reporting

The NC will report annually, in this Annual Report, on the Board's composition under diversified perspectives, and monitor the implementation of the Diversity Policy.

During the year ended 31 December 2021, the NC held 2 meetings to review the Board's composition, and was of the opinion that the Board consisted of members with different gender, age, cultural and educational background, professional experience, skills and knowledge. All Executive Directors possess extensive and diversified experience in management, finance and real estate industry-related experience. The Independent Non-executive Directors possess professional knowledge in corporate finance and accountancy, legal, and real estate business management. Further details of the Directors are set out in the section headed "Biographical Details of the Directors and Senior Management" in this report.

Review of the Diversity Policy

The NC reviews the Diversity Policy, as appropriate, to ensure its effectiveness. The NC will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Nomination Policy

The Company has adopted a nomination policy on 15 February 2019, which establishes written guidelines for the NC to identify individuals suitably qualified to become Board members and to make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors. The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well-considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Dividend Policy

The Company has adopted a dividend policy (the "**Dividend Policy**") with effect from 15 February 2019. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among other things, the following factors:

(a) the Company's current and future operations, actual and expected financial performance;

(b) any corporate development plans;

(c) the Group's liquidity position, working capital and capital expenditure requirements and future expected capital needs;

(d) the level of the Group's debt to equity ratio, return on equity and the relevant financial covenants;

(e) any restrictions on payments of dividends that may be imposed by the Group's lenders or other third parties;

(f) retained earnings and distributable reserves of the Company and each of the members of the Group;

(g) general economic conditions, the business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and

(h) any other factor that the Board deems appropriate and relevant.

The declaration and payment of dividends is also subject to any restrictions under the Companies Act of the Cayman Islands and any other applicable laws, rule and regulations and the Articles of Association.

Board Composition and Board and Committee Meetings

Practices and Conduct of Meetings

Code Provision C.5.1 of the CG Code prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through other electronic means of communication. Since the listing of the Company on GEM on 15 November 2017 ("**Listing Date**"), the Board adopted the practice to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. Other Board meetings will be held if necessary and notice will be given at a reasonable time in advance.

Composition

As at 31 December 2021, the Board comprises four executive Directors, one non-executive Director and four independent non-executive Directors. The Company has met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of whom is with appropriate professional qualifications or accounting or related financial management expertise throughout the year. Biographical details of the Directors are shown on pages 13 to 18 of this report and set out on the website of the Company. The "List of Directors and their Role and Function" was published both on the websites of the Company and the Stock Exchange. The Board is currently supported by the AC, RC and NC to oversee specific areas of the Company's affairs. Each of these committees has been established with written terms of reference, which were approved by the Board, setting out the committees' major duties and responsibilities. These terms of reference were published both on the websites of the Company and the Stock Exchange.

CORPORATE GOVERNANCE REPORT

Meetings Held and Attendance

The composition of the Board and the committees, and the individual attendance records of each Director at the Board and committees' meetings during the year are set out below:

	Meetings attended/Meetings held				
Name of Directors	Board meetings	AC meetings	RC meetings	NC meetings	Annual general meetings
Executive Directors					
Mr. HAN Shuguang (appointed on 15 June 2021)	1/1				
Ms. RONG Haiming	4/4			2/2	1/1
Mr. YI Ruofeng	4/4		2/2		1/1
Ms. TSE Lai Wa	4/4				1/1
Non-executive Director					
Mr. FONG Ming	4/4				1/1
Independent Non-executive Directors					
Mr. LEUNG Wai Hung	4/4	2/2	2/2		1/1
Mr. LIAO Junping	4/4			2/2	1/1
Mr. TIAN Qiusheng	4/4	2/2	2/2	2/2	1/1
Mr. DU Chenhua	4/4	2/2			1/1

Induction and Continuous Development

Each newly appointed Director receives a comprehensive induction package (the "**Package**") designed to enhance his/her knowledge and understanding of the Group's culture and operations. The Package usually includes a briefing or an introduction to the Group's structure, businesses strategies, recent developments and governance practices.

Pursuant to the code provision C.1.4 of the CG Code, in order to keep Directors informed and refresh their relevant knowledge and skills (note 1), the Company has funded suitable trainings and encouraged Directors to participate in continuous professional development programs. The Directors have confirmed that they have received training:

Names of Directors who have attended seminars or briefings or have read journals	
Mr. HAN Shuguang	✓
Ms. RONG Haiming	✓
Mr. YI Ruofeng	✓
Ms. TSE Lai Wa	✓
Mr. FONG Ming	✓
Mr. LEUNG Wai Hung	✓
Mr. LIAO Junping	✓
Mr. TIAN Qiusheng	✓
Mr. DU Chenhua	✓

Note 1: Training set out above refers to training relevant to the Group's business, the economy, corporate governance, rules and regulations, accounting, financial or professional skills and/or directors' duties and responsibilities.

CORPORATE GOVERNANCE REPORT

The Directors acknowledge the need for continuous professional development so that they can continue contributing to the Company, and the Company provides support whenever relevant and necessary.

Accountability and Audit

The Board acknowledges its responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. The Board is not aware of any material uncertainties relating to events or condition that might cast significant doubt upon the Group's ability to continue in business. Accordingly, the Board has prepared the financial statements of the Group on a going concern basis.

The Board also acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and half-yearly reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and to report information required to be disclosed pursuant to statutory requirements to the regulators.

The above statements, which should be read in conjunction with the independent auditor's report, are made with a view to distinguishing for Shareholders how the responsibilities of the Directors differ from those of the auditor in relation to the financial statements.

Having made appropriate enquiries and examined major areas which could give rise to significant financial exposures, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements for the year, the Directors considered the Group has applied appropriate accounting policies consistently, made judgments and estimates that are reasonable in accordance with applicable accounting standards.

The interim and annual results and reports were published within the time limits as required under the Listing Rules after the end of the relevant periods to provide stakeholders with transparent and timely financial information.

Auditor's Remuneration

For the year ended 31 December 2021, the remuneration paid or payable to BDO Limited and its affiliate companies in respect of audit and non-audit services provided amounted to approximately RMB1,658,000 and RMB321,000 respectively. The non-audit service provided relates to the agree-upon procedures to the 2021 interm results announcement.

The remuneration paid or payable to another auditor for audit services in the PRC was approximately RMB300,000 (2020: RMB65,000).

Corporate Governance Function

The written terms of reference of the corporate governance functions was adopted by the Company on 23 October 2017 and the Board is collectively responsible for the following corporate governance functions:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updates;

CORPORATE GOVERNANCE REPORT

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;

5. to review the Company's compliance with the CG Code and disclosure in corporate governance reports; and

6. such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board are responsible.

Risk Management and Internal Control

The Company had established Internal Risk Management Process and procedures to identify, assess and manage major risks of the Group. The Board has overall responsibilities for establishing and maintaining an effective risk management and internal control systems of the Group and reviewing their effectiveness. However, such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management is responsible for implementing the procedures approved by the Board and to monitor compliance with the procedures. The Audit Committee reviews the risk areas and assesses the feasibility and effectiveness of the procedures at least once a year.

The key features of the Company's risk management and internal control system include: (i) designated departments for implementation and execution; (ii) the management ensures appropriate measures have been taken in relation to significant risks that may affect business and operation; and (iii) internal auditor provides independent confirmation to the Board, Audit Committee and the management on the effectiveness of risk management and internal control.

The internal audit function monitors the Company's internal governance and provides independent confirmation on the adequacy and effectiveness of the risk management and internal control system. The internal auditor in charge reports directly to the Audit Committee, submits the internal audit report to the Audit Committee, and reports the results of internal audit works to all Directors.

Also, the Company performed an internal audit to assess the effectiveness of the Group's risk management and internal control systems which covered all material controls, including financial, operational and compliance controls as well as risk management functions and to identify and resolve potential internal control defects during the year ended 31 December 2021. The internal control report was reviewed by the AC and the Board. No major issue was raised for improvement. For the year ended 31 December 2021, the Board considered that the risk management and internal control system of the Company is adequate and effective and the Company has complied with the code provisions on internal control and risk management of the CG Code.

CORPORATE GOVERNANCE REPORT

The Company has established the inside information policy for fair and timely dissemination to public based on applicable laws and regulations. The Director authorised by the Group to take charge of the investor relations, corporate matters and financial control functions is responsible for ensuring and monitoring compliance with the applicable disclosure procedures. The relevant Director may access inside information on an "as needed" basis at any times. Personnel and professionals involved are reminded to keep inside information confidential until public disclosure. The Company has other procedures in place to prevent mishandling of inside information, including prior approval of trading of the Company's securities by Directors and the management, regular notice of lock-up period, restrictions on securities trading of Directors and staff and code for project identification.

Besides, the Company regularly reminds the directors and employees about due compliance with all policies regarding the Inside Information. The Company keeps directors and employees appraised of the latest regulatory updates to ensure compliance with regulatory requirements.

Company Secretary

The appointment and removal of the Company Secretary is subject to approval by the Board in accordance with the Articles of Association. The Company Secretary is responsible for ensuring the Board procedures and policy are followed and Board activities are effectively conducted. The Company Secretary is also responsible for maintaining minutes recorded in sufficient details of all the meetings of the Board and committees of the Company. Draft and final versions of minutes are circulated to Directors for comment and filed for record purposes respectively within a reasonable time after each meeting. The Directors have full and timely access to the minutes of the Board and committees of the Company. The Company Secretary, Mr. TSO Ping Cheong, Brian, who is hired from an external service provider confirmed that he has complied with all the qualifications, experience, and training requirements under the Listing Rules, including taking no less than 15 hours of relevant professional training. His primary contact in the Company is Mr. Yi Ruofeng, an executive Director of the Company.

Shareholders' Rights

The general meetings of the Company provided an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("**EGM**").

Right to Convene EGMs and Procedures

Pursuant to Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM. Any one or more member(s) holding at the date of the deposit of the requisition not less than one tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal place of business as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

Such requisition shall be made in writing to the Board or the company secretary of the Company at the following:

Principal place of business of the Company in the PRC:
No.28 Tiyu East Road, Tianhe District, Guangzhou, PRC

Registered office of the Company:
Address: Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands

CORPORATE GOVERNANCE REPORT

If within 21 days of such deposit of requisition, the Board fails to proceed duly to convene such EGM, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

For matters in relation to the Board, the Shareholders can contact the Company by post to principal place of business of the Company in Hong Kong: Unit B, 17/F., United Centre, 95 Queensway, Admiralty, Hong Kong or by email to ir@fydc.cn.

Right to Put Enquiries to the Board

Shareholders have the right to put enquiries to the Board. All such enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the company secretary.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Right to Put forward Proposals at General Meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Companies Act of the Cayman Islands, as amended, modified and supplemental from time to time. However, pursuant to the Articles of Association, Shareholders who wish to move a resolution may by means of requisitions convene an EGM following the procedures set out above.

Constitutional Documents

During the year ended 31 December 2021, there had been no significant change in the Company's constitutional documents. The Articles of Association are available on the websites of the Stock Exchange and the Company.

Investor Relations

The Board recognises the importance of maintaining on-going communication with the Shareholders. The Company promotes communications with the Shareholders through several communication channels including publication of notices, circulars and announcements of key developments, and interim and annual reports as prescribed under the Listing Rules which can also be accessed via the "Investor Relations" of the Company's website.

The aims of the Company are to improve its transparency, gain more understanding and confidence in relation to the Group's business developments and acquire more market recognition and support from the Shareholders. The Shareholders are encouraged to attend all general meetings of the Company. The notices of the special general meetings and annual general meeting of the Company were circulated to all the Shareholders in accordance with the requirements of the Listing Rules and the Articles of Association. It is a standard practice to have the non-executive Directors available to answer questions relating to their roles, tenure, and the committees of the Board. The results of voting by poll are published on the websites of the Stock Exchange and the Company after the meetings.

Any comments and suggestions to the Board can be addressed to our Hong Kong office or the Company Secretary by mail to Unit B, 17/F., United Centre, 95 Queensway, Admiralty, Hong Kong or email at ir@fydc.cn.

DIRECTORS' REPORT

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2021.

Principal place of business

The Company is a limited company incorporated in the Cayman Islands and has its registered office and principal place of business at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and Unit B, 17/F., United Centre, 95 Queensway, Admiralty, Hong Kong respectively.

Principal activities and business review

The principal activities of the Group are (i) comprehensive real estate agency services, and (ii) professional property management services. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including the Group's business review and a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 6 to 12 of this Annual Report. This discussion forms part of this directors' report.

Major customers and suppliers

During the year ended 31 December 2021, our largest customer accounted for approximately 10.1% of total revenue. The aggregate sales to our five largest customers contributed approximately 20.3% of our total sales during the year. Five customers are connected customers as they are the group entities within the Fineland Group. Together, customers that were entities within the Fineland Group in aggregate accounted for approximately 21.2% of total revenue. Other than as disclosed, none of the Directors, their close associates, or any shareholder of the Company (which to the knowledge of the Directors own more than 5% of the number of issued shares of the Company) had any interest in these major customers.

The Group's major suppliers are sub-contractors providing relevant services for the Group's property management business. For the year ended 31 December 2021, the Group's largest supplier accounted for approximately 18.3% of the Group's total purchases, and the Group's five largest suppliers accounted for approximately 26.3% of the Group's total purchases.

Segment Information

The segment information of the Group for the year is set out in note 6 to the consolidated financial statements.

Recommended dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: HK1 cent).

Closure of register of members

The AGM is expected to be held on Wednesday, 25 May 2022. For determining the entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from Friday, 20 May 2022 to Wednesday, 25 May 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 19 May 2022.

DIRECTORS' REPORT

Gearing Ratio

As at 31 December 2021, the Group has gearing ratio (total liabilities divided by total assets) of 55% compared to that of 35% as at 31 December 2020.

Charitable donations

The Group did not make any charitable donations during the year ended 31 December 2021 (2020: RMB0.9 million).

Summary financial information

A summary of the published result and assets, liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 132. This summary does not form part of the audited consolidated financial statements.

Share capital

Details of the movements in share capital of the Company during the year ended 31 December 2021 are set out in note 24 to the consolidated financial statements. Details about the issue of shares are also set out in note 24 to the consolidated financial statements.

Purchase, sale or redemption of Company's listed securities

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities on the Stock Exchange or any other stock exchange, by private arrangement, or by way of general offer, during the year.

Property, plant and equipment

Details of movement in property, plant and equipment of the Group for the year ended 31 December 2021 are set out in note 15 to the consolidated financial statements.

Intangible assets

Details of movement in intangible assets of the Group during for year ended 31 December 2021 are set out in notes 26 to 27 to the consolidated financial statements.

Distributable reserves

As at 31 December 2021, the Company had no distributable reserves. Details of the movements in the reserves of the Company for the year are set out in note 38 to the consolidated financial statements.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Directors

The Directors during the financial year and up to the date of this report were:

DIRECTORS' REPORT

Executive Directors

Mr. HAN Shuguang (appointed on 15 June 2021)
Ms. RONG Haiming
Mr. YI Ruofeng
Ms. TSE Lai Wa

Non-executive Director

Mr. FONG Ming (ceased to be Chairman on 15 June 2021)

Independent Non-executive Directors

Mr. LEUNG Wai Hung
Mr. LIAO Junping
Mr. TIAN Qiusheng
Mr. DU Chenhua

Directors' Service Contracts

Each of the Executive Directors has entered into a service contract with the Company for a term of three years commencing from the Listing Date or appointment date and shall continue thereafter until terminated by, not less than six months' notice in writing served by either party on the other.

Each of the Independent Non-executive Directors has signed a letter of appointment with the Company for an initial term of one year commencing from the Listing Date, and renewed each year for one year, subject to retirement by rotation and re-election at annual general meeting and until terminated by not less than one month's notice in writing served by either party on the other.

Pursuant to Article 112 of the Articles of Associations, Mr. DU Chenhua, Mr. LEUNG Wai Hung and Ms. RONG Haiming will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting (the "**AGM**"). Pursuant to Article 112 of the Articles of Association, Mr. HAN Shuguang, who was appointed as an executive Director on 15 June 2021, will hold office until the AGM. He, being eligible, will offer himself for re-election at the AGM.

No director proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at 31 December 2021, the interests or short positions of the Directors and chief executives in the Shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

DIRECTORS' REPORT

Long positions in Shares of the Company

Name	Nature of interest	Total number of shares held	Percentage of shareholding
Mr. Fong	Interest in controlled corporation and a legal and beneficial owner(1),(2)	222,000,000	55.5%
Ms. Tse	Interest in controlled corporation(1)	216,000,000	54%
Ms. Rong	Interest in controlled corporation(3)	25,500,000	6.375%
Mr. Yi	Interest in controlled corporation(4)	7,300,000	1.825%
Mr. Han	Interest in controlled corporation(5)	4,500,000	1.125%

Notes:

(1) 216,000,000 shares are registered in the name of Mansion Green Holdings Limited ("**Mansion Green**"), which is held as to 70% by Mr. Fong's holding companies (including Stand Smooth Group Limited ("**Stand Smooth**"), Hero Dragon Management Limited ("**Hero Dragon**"), Fineland Group Holdings Company Limited ("**Fineland Group Holdings**", formerly known as Fineland Real Estate Holdings Company Limited) and Widethrive Investments Limited ("**Widethrive Investments**")), and as to 30% by Aspiring Vision Holdings Limited ("**Aspiring Vision**"), which is wholly-owned by Ms. Tse. Accordingly, Widethrive Investments, Fineland Group Holdings, Hero Dragon, Stand Smooth, Aspiring Vision, Mr. Fong and Ms. Tse are therefore deemed to be interested in the same number of Shares as to which Mansion Green is interested under the SFO.

(2) Mr. Fong purchased 6,000,000 Shares from the market in September 2021, after which Mr. Fong is interested in a total of 222,000,000 Shares, representing 55.5% of the entire issued share capital of the Company.

(3) 24,000,000 shares were held by Metropolitan Dawn Holdings Limited ("**Metropolitan Dawn**"), which is wholly-owned by Ms. Rong. In April 2021, Metropolitan Dawn purchased 1,500,000 shares from the market, after which Ms. Rong is interested in a total of 25,500,000 Shares, representing 6.375% of the entire issued share capital of the Company.

(4) Shares are held by Totoro Holding Limited ("**Totoro**"), which is wholly-owned by Mr. Yi. Totoro purchased 1,000,000 Shares from the market in May 2021, after which Mr. Yi is interested in a total of 7,300,000 Shares, representing 1.825% of the entire issued share capital of the Company.

(5) Shares are held by Adwan Orient Holdings Limited ("**Adwan**"), which is wholly-owned by Mr. Han.

Apart from the foregoing, as at 31 December 2021, none of the Directors nor the chief executives of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at 31 December 2021, the following persons (other than Directors or chief executive of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules:

DIRECTORS' REPORT

Long positions in Shares

Name	Nature of Interest	Number of Shares held	Approximate percentage of shareholding
Ms. HE Kangkang (何康康)(1)	Interest of spouse	222,000,000	55.5%
Mr. ZHENG Muming (鄭木明)(2)	Interest of spouse	216,000,000	54%
Mr. WANG Haihui (王海暉)(3)	Interest of spouse	25,500,000	6%
Mansion Green(4)	Legal and beneficial owner	216,000,000	54%
Widethrive Investments(4)	Interest in a controlled corporation	216,000,000	54%
Fineland Real Estate(4)	Interest in a controlled corporation	216,000,000	54%
Hero Dragon(4)	Interest in a controlled corporation	216,000,000	54%
Stand Smooth(4)	Interest in a controlled corporation	216,000,000	54%
Aspiring Vision(4)	Interest in a controlled corporation	216,000,000	54%
Metropolitan Dawn(5)	Legal and beneficial owner	25,500,000	6.375%

Notes:

(1) Ms. HE Kangkang (何康康) is the spouse of Mr. Fong. Under the SFO, Ms. HE Kangkang (何康康) is deemed to be interested in the same number of Shares in which Mr. Fong is interested.

(2) Mr. ZHENG Muming (鄭木明) is the spouse of Ms. Tse. Under the SFO, Mr. ZHENG Muming (鄭木明) is deemed to be interested in the same number of Shares in which Ms. Tse is interested.

(3) Mr. WANG Haihui (王海暉) is the spouse of Ms. Rong. Under the SFO, Mr. WANG Haihui (王海暉) is deemed to be interested in the same number of Shares in which Ms. Rong is interested.

(4) Mansion Green is the registered owner of 216,000,000 Shares, representing 54% of the issued share capital of the Company. Mansion Green is owned as to 30% by Aspiring Vision, which is in turn wholly-owned by Ms. Tse, and as to 70% by Stand Smooth. Stand Smooth is wholly owned by Hero Dragon, which is wholly-owned by Fineland Group Holdings, which in turn is wholly owned by Widethrive Investments, and ultimately wholly-owned by Mr. Fong. Accordingly, Widethrive Investments, Fineland Group Holdings, Hero Dragon, Stand Smooth, Aspiring Vision, Mr. Fong and Ms. Tse are therefore deemed to be interested in the same number of Shares as to which Mansion Green is interested under the SFO.

(5) Metropolitan Dawn is the registered owner of 25,500,000 Shares, representing 6.375% of the issued share capital of the Company. Metropolitan Dawn is wholly-owned by Ms. Rong. Ms. Rong is therefore deemed to be interested in the same number of Shares as to which Metropolitan Dawn is interested under the SFO.

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any other persons who had any interest or short positions in the Shares or underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' REPORT

Share option scheme

A share option scheme ("**Share Option Scheme**") was adopted by the Company on 23 October 2017. As of the date of this report, no option had been granted, agreed, exercised, cancelled or lapsed under the Share Option Scheme.

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable our Group to grant Share Options to the eligible persons as incentives or rewards for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group or any entity in which any member of our Group holds any equity interest (the "**Invested Entity**"). As at the date of this report, there was no Invested Entity other than members of our Group, and our Group has not identified any potential Invested Entity for investment.

2. Who may join and basis for determining eligibility

The Board may, at its absolute discretion, offer eligible persons (being any director or employee (whether full time or part time), consultant or adviser of our Group who in the sole discretion of the Board has contributed to and/or will contribute to our Group) (the "**Eligible Persons**") to subscribe for such number of Shares in accordance with the terms of the Share Option Scheme.

3. Grant of options

a) On and subject to the terms of the Share Option Scheme, our Board shall be entitled at any time on a business day within ten years commencing on the effective date of the Share Option Scheme to offer the grant of a Share Option to any Eligible Person as our Board may in its absolute discretion select in accordance with the eligibility criteria set out in the Share Option Scheme. An offer shall be accepted when we receive the duly signed offer letter together with a non-refundable payment of HK$1.00 (or such other sum in any currency as our Board may determine).

b) Any grant of Share Options to any Director, substantial Shareholder, chief executive of our Company or their respective associates must be approved by all of our Company's independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee).

4. Exercise Price

The exercise price for any Share under the Share Option Scheme shall be a price determined by our Board and notified to each grantee and shall be not less than the highest of (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be a business day,(ii) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant option and the nominal value of a Share on the date of grant.

5. Maximum number of Shares

The maximum aggregate number of Shares which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company, must not, in aggregate, exceed 10% of the total number of Shares in issue from time to time. No Share Options may be granted under the Share Option Scheme and any other share option schemes of our Company if this will result in such limit being exceeded.

The maximum number of Shares issued and to be issued upon exercise of the Options granted to any one Eligible Person (including both exercised and outstanding Options) in any 12-month period shall not exceed one percent of the Shares in issue from time to time.

6. Time of exercise of option

(a) Subject to certain restrictions contained in the Share Option Scheme, a Share Option may be exercised in accordance with the terms of the Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than ten years from the date of grant of option.

(b) There is no general requirement on the minimum period for which a Share Option must be held or the performance targets which must be achieved before a Share Option can be exercised under the terms of the Share Option Scheme. However, at the time of granting any Share Option, our Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the Share Options to be held and/or the performance targets to be achieved as our Board may determine in its absolute discretion.

7. Remaining life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the Share Option Scheme on 23 October 2017.

During the year of 2021, no share option was granted under the Share Option Scheme adopted by the Company on 23 October 2017.

Directors' rights to acquire shares or debentures

Save as disclosed under the sections headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" and "Share option scheme" above, at no time during the year ended 31 December 2021 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the directors and chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

Related party transactions and connected transactions

Details of the related party transactions entered into by the Group are set out in note 29 to the financial statements.

Other than as disclosed in the section below headed connected transaction and continuing connected transaction, the Directors confirm that the remaining related party transactions set out in note 29 to the financial statements constituted exempt connected transactions and exempt continuing connected transactions, and that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Connected transactions and continuing connected transactions

Non-exempted Continuing Connected Transactions up to 31 December 2023

1. The renewed master agency service agreement

On 11 October 2017, the Company (for itself and on behalf of its subsidiaries, as service providers) and Fineland Group Holdings (then Fineland Real Estate) (for itself and on behalf of its subsidiaries, as service recipients) entered into a master agency service, pursuant to which our Group agreed to provide real estate agency services (including property research, consultancy and marketing services, sales agency services and integrated services) in the primary property market to members of the Fineland Group for a term commencing from the date thereof to 31 December 2019. A supplemental agreement was entered by the same parties on 26 September 2018 to extend the term for another three years which ended on 31 December 2020 (the "**Supplemental Agreement**"). A renewed master agency service agreement dated 3 September 2020 was entered into by the same parties to renew the Supplemental Agreement for a term commencing from 1 January 2021 to 31 December 2023 (the "**Renewal Master Agency Service Agreement**"). Fineland Group Holdings is an indirect controlling shareholder and a connected person of the Company.

DIRECTORS' REPORT

As disclosed in the circular of the Company dated 5 October 2020, the Directors estimated that the maximum annual fees charged by the Group in relation to the services to be provided under the Renewal Master Agency Service Agreement for each of the three years ending 31 December 2023 will not exceed RMB165.0 million, RMB220.0 million and RMB280.0 million, respectively.

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the annual caps for the transactions contemplated under the Renewal Master Agency Service Agreement are, on an annual basis, expected to be more than 5%, the transactions contemplated under The Renewal Master Agency Service Agreement are subject to annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The transactions and annual caps contemplated under the Renewed Master Agency Service Agreement were approved by the independent shareholders at the Company's extraordinary general meeting held on 27 October 2020.

2. *The master property management services agreements*

As disclosed above, the Company completed the acquisition of approximately 66.31% of equity interests in Fineland E-Life on 28 January 2021. Following the completion and on the same day, the Company entered into two master property management services agreements to continue rendering property management services to the members and associates of the Fineland Group.

The first master property management services agreement dated 28 January 2021 was entered between the Company (for itself and on behalf of its subsidiaries, as service providers) and Fineland Group Holdings (for itself and on behalf of its subsidiaries and associates, as the receiving parties), pursuant to which the Group agreed to provide property management services to members of the Fineland Group for a term commencing from the date thereof to 31 December 2023 (the "**2020 FGH Master Property Management Services Agreement**").

The second master property management services agreement dated 28 January 2021 was entered (the "**2020 FE Master Property Management Services Agreement**", collectively with the 2020 FGH Master Property Management Services Agreement, "**Master Property Services Agreements**") between the Company (for itself and on behalf of its subsidiaries, as service providers) and Guangdong Fineland Education Investment Limited* (廣東方圓教育投資有限公司) ("**Fineland Education**") (for itself and on behalf of its subsidiaries and associates, as the receiving parties), pursuant to which the Group agreed to provide property management services to members of Fineland Education for a term commencing from the date thereof to 31 December 2023.

As disclosed in the circular of the Company dated 3 December 2020, the estimated maximum annual fees charged by the Group in relation to the services to be provided under the 2020 FGH Master Property Management Services Agreement for each of the three years ending 31 December 2023 will not exceed RMB49 million, RMB53.0 million and RMB60.0 million, respectively. The estimated maximum annual fees charged by the Group in relation to the services to be provided under the 2020 FE Master Property Management Services Agreement for each of the three years ending 31 December 2023 will not exceed RMB0.72 million, RMB0.74 million and RMB0.76 million, respectively (the "**Property Management Caps**"). Fineland Group Holdings is an indirect controlling shareholder and a connected person of the Company.

DIRECTORS' REPORT

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Property Management Caps for the transactions contemplated under the Master Property Management Services Agreements are, on an annual basis, expected to be more than 5%, the transactions contemplated under Master Property Service Agreements are subject to annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The transactions contemplated under the Master Property Services Agreements and the Property Management Caps were approved by the independent shareholders at the Company's extraordinary general meeting held on 28 December 2020.

3. *The master lease agreement*

As disclosed above, following the completion of the acquisition of approximately 66.31% of equity interests in Fineland E-Life on 28 January 2021, the master lease agreement dated 28 January 2021 was entered between the Company (for itself and on behalf of its subsidiaries) and Fineland Group Holdings (for itself and on behalf of its subsidiaries), pursuant to which any subsidiaries of the Company as tenant may continue, amend, renew the existing lease agreements or enter into new leases with members of the Finelend Group for a term of three years commencing retrospectively from 1 January 2021 and ending on 31 December 2023 (the "**Master Lease Agreement**").

As disclosed in the announcement of the Company dated 28 January 2021, the annual caps under the Master Lease Agreement for each of the three years ending 31 December 2023 will not exceed RMB5.4 million, RMB5.9 million and RMB6.4 million respectively. Fineland Group Holdings is an indirect controlling shareholder and a connected person of the Company.

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the annual caps for the transactions contemplated under the Master Lease Agreement are, on an annual basis, expected to be more than 0.1% but less than 5%, the transactions contemplated are subject to reporting, announcement and annual review requirements but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

4. *The master IT services agreement*

As disclosed above, the Company completed the acquisition of the entire equity interests in Fangheng Technology on 15 July 2021. The master IT services agreement dated 10 June 2021 was entered between the Company (for itself and on behalf of its subsidiaries) and Mr. Fong (for and on behalf of his associates (excluding the Group)), pursuant to which Fangheng Technology, being part of the enlarged Group after the completion of the acquisition agreed to continue to provide IT services to associates of Mr. Fong (excluding the Group) for a term commencing from 15 July 2021 to 31 December 2023 (the "**Master IT Services Agreement**").

As disclosed in the announcement of the Company dated 10 June 2021, the annual caps under the Master IT Services Agreement for each of the three years ending 31 December 2023 will not exceed RMB9.5 million respectively. Mr. Fong is the non-executive Director and a controlling shareholder of the Company, and is therefore a connected person of the Company.

As the highest of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the annual caps for the transactions contemplated under the Master IT Services Agreement are, on an annual basis, exceeds HK$3,000,000 and more than 0.1% but less than 5%, the transactions contemplated are subject to reporting, announcement and annual review requirements but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS' REPORT

Service provider	Service recipient	Nature of transactions	Annual cap for the year ended 31 December 2021	Total amount for the year ended 31 December 2021
Our Group	Fineland Group Holdings and other connected parties	Master Agency Service Agreement	RMB165,000,000	RMB93,562,000
Our Group	Fineland Group Holdings and other connected parties	FGH Master Property Management Services Agreement	RMB49,000,000	RMB42,041,000
Our Group	Fineland Education and other connected parties	FE Master Property Management Services Agreement	RMB720,000	RMB674,000
Our Group	Fineland Group Holdings and other connected parties	Master lease agreement	RMB5,445,000	RMB5,274,000
Our Group	Mr. Fong's associates	Master IT Services Agreement	RMB9,500,000	RMB5,567,000

During the year, the above continuing connected transactions were carried out within their respective annual caps. The Independent Non-executive Directors have reviewed and confirmed that during the year, the above continuing connected transactions were conducted and entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the agreements governing it on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

Confirmation from Auditor of the Company

The Board of Directors has received an unqualified letter issued by the auditor of the Company in accordance with Hong Kong Standard on Assurance Engagement 3000 (Revised) and Practice Note 740 (Revised) issued by the Hong Kong Institute of Certified Public Accountants confirming that:

a. nothing has come to their attention that causes them to believe that the above non-exempt continuing connected transactions have not been approved by the Board;

b. for transactions involving the provision of services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

c. nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

d. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap set by the Company.

A copy of the letter has been provided by the Company to the Stock Exchange.

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float required by the Listing Rules for the year ended 31 December 2021 and up to the date of this report.

Directors' interest in competing business

Save and except as disclosed in the prospectus of the Company dated 31 October 2017, the Directors are not aware of any business or interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates that competes or may compete, directly or indirectly, with the Group's business and any other conflicts of interest which any such person has or may have with the Group during the year ended 31 December 2021.

Deed of non-competition

The controlling shareholders of the Company, namely Mr. Fong, Ms. Tse, Mansion Green Holdings Limited, Hero Dragon Management Limited, Fineland Real Estate Holdings Company Limited, Widethrive Investment Limited, Stand Smooth Group Limited and Aspiring Vision Holdings Limited (each the "**Obligor**" and collectively the "**Obligors**") the deed of non-competition dated 23 October 2017 (the "**Deed of Non-competition**"). Pursuant to the Deed of Non-competition, each of the Obligors has irrevocably and unconditionally undertaken to our Company (for ourselves and as trustee for our subsidiaries) that, save and except as disclosed in the prospectus of the Company dated 31 October 2017, during the period that the Deed of Non-competition remains effective, he/she/it shall not, and shall procure that his/her/its close associates (other than any member of our Group) not to carry on or be engaged, concerned or interested, or otherwise be involved, directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of our Group and any business of our Group may engage in from time to time within the PRC, Hong Kong and such other parts of the world where any member of our Group may operate from time to time, save for the holding of not more than 5% shareholding interests (individually or with his/her/its close associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with his/her/its close associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Obligor (individually or with his/her/its close associates).

Each of the Obligors further undertakes that if he/she/it or his/her/its close associates other than any member of our Group is offered or becomes aware of any business opportunity which may compete with the business of our Group, he/she/it shall procure that his/her/its close associates to promptly notify our Group in writing and our Group shall have a right of first refusal to take up such opportunity. Our Group shall, within 30 days after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Obligor(s) whether our Group will exercise the right of first refusal.

DIRECTORS' REPORT

The Independent Non-executive Directors of the Company had reviewed the status of the compliance as well as confirmation by the controlling shareholders of the Company and, on the basis of such confirmation, are of the view that such controlling shareholders have complied with their non-competition undertakings under the Deed of Non-Competition and the non-competition undertakings have been enforced by the Company in accordance with its terms.

Competition and Conflict of Interests

During the year, save as disclosed in the prospectus of the Company dated 31 October 2017, none of the Directors or controlling shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

Indemnity of Directors

During the year ended 31 December 2021 and up to the date of this report, there were permitted indemnity provisions (within the meaning in Section 469 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)) provided for in the Articles of Association of the Company.

The Company has maintained Directors' and officers' liability insurance starting from 1 December 2017, which provides appropriate cover for certain legal actions brought against its Directors and officers arising out of corporate activities.

Directors and controlling shareholders' material interests in transactions, arrangements or contracts of significance

Except for the continuing connected transactions disclosed above and related parties transactions in the consolidated financial statements, no transaction, arrangement or contract of significance to which the Company, or any of its subsidiaries was a party, and in which a Director, a controlling shareholder or an entity connected with him had a material interest, subsisted at the end of the year or at any time during the year.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Environmental policies and performance

In light of the Group's principal activities, the Directors consider that the Group's businesses do not have any direct adverse impact on the environment. Nevertheless, the Group is committed to building an environmentally-friendly corporation that pays close attention to conserving resources for its operation and raise environmental awareness within the Group. During the year, the key environmental impacts from the Group's operations relate to office energy and paper consumption. The Group strives to minimise any possible impacts or harms to the environment by, among others, establishing environmental policies and various procedures to be adopted in its usual and ordinary course of business reducing unnecessary usage of paper, conserving electricity and encouraging recycle of office supplies and other materials. When providing comprehensive property consultancy or pure property planning and consultancy services, the Group would also consider the possible environmental impacts of such plans. Details on key environmental impacts will be disclosed in the Environmental, Social and Governance Report to be issued by the Company separately under the Environmental, Social and Governance Reporting Guide under Appendix 27 of the Listing Rules.

Compliance with laws and regulations

As at the date of this annual report, the Company has complied with all the relevant laws and regulations that have a significant impact on the operations of the Group.

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licences. The Group has been allocating system and staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with relevant authorities effectively through effective communications.

The Group also complies with the requirements under the Companies Ordinance, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Securities and Futures Ordinance (the "**SFO**") for the disclosure of information and corporate governance.

Key Relationships with Employees, Customers and Suppliers

The Group recognises the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. Apart from basic remuneration, share options may be granted under the share option scheme to eligible employees by reference of the Group's performance as well as individual's contribution. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the year under review.

As at 31 December 2021, the Group had 2,071 (as at 31 December 2020: 687) employees, the increase was mainly due to the acquisitions of Fineland E-Life, etc.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well-communicated to suppliers before the commencement of a project.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regularly analyses and makes changes based on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

Five years summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 132 of the annual report.

Corporate Governance

Details of the corporate governance practices adopted by the Company are set out on pages 22 to 32 of this annual report.

Confirmation of independence

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to the Listing Rules and, based on contents of such confirmation, considers all the Independent Non-executive Directors to be independent and that they have met the specific independence guidelines as set out in the Listing Rules.

DIRECTORS' REPORT

Review by Audit Committee

The audited consolidated financial statements of the Group for the year ended 31 December 2021 have been reviewed by the audit committee. The audit committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 December 2021 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's shares.

Auditor

BDO Limited retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of BDO Limited as auditor of the Company is to be proposed at the forthcoming AGM.

There was no change in auditors in any of the preceding 3 years.

By order of the board
HAN Shuguang
Chairman
Hong Kong, 30 March 2022

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF FINELAND LIVING SERVICES GROUP LIMITED
(FORMERLY KNOWN AS FINELAND REAL ESTATE SERVICES GROUP LIMITED)
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Fineland Living Services Group Limited (formerly known as Fineland Real Estate Services Group Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 54 to 131, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Impairment assessment of goodwill

We identified impairment assessment of goodwill as a key audit matter due to significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of estimations made by the management of the Group associated with the recoverable amounts of the cash-generating units to which goodwill have been allocated.

As disclosed in Note 5(iv), the management assessed the impairment of goodwill by estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated which is the higher of the value in use ("VIU") and fair value less costs of disposal. The VIU calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or group of cash-generating units) and a suitable discount rate. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates in revenue, estimated gross profit, estimated profit before tax and pre-tax discount rates. As disclosed in Note 26 to the consolidated financial statements, the carrying amounts of goodwill were RMB31,333,000 as at 31 December 2021 and no impairment loss was recognised during the year ended 31 December 2021.

Our response:

Our procedures in relation to the impairment assessment of goodwill included:

— Discussing with the management to understand the management process and the key controls in impairment assessment of goodwill and the key estimations made by the management in the impairment assessment of goodwill including the growth rates in revenue, estimated gross profit, estimated profit before tax and pre-tax discount rates;

— Evaluating the reasonableness of the growth rates in revenue, estimated gross profit and estimated profit before tax, with reference to the current financial position and historical financial performance;

— Evaluating the reasonableness of the financial budgets approved by the management by comparing the actual results of those cash-generating units to the previously forecasted results used in the impairment assessment of goodwill;

— Evaluating the reasonableness of the sensitivity analysis performed by management on the key assumptions to understand the impact of reasonable changes in assumptions on the recoverable amount; and

— Checking the mathematical accuracy of the VIU calculations.

INDEPENDENT AUDITOR'S REPORT

Estimated provision of expected credit losses ("ECL") of trade receivables, amounts due from fellow subsidiaries, related companies and non-controlling interests which are trade in nature

We identified the estimated provision of ECL of trade receivables, amounts due from fellow subsidiaries, related companies and non-controlling interests as a key audit matter due to the significant management judgement and estimates involved in assessing the recoverability of trade receivables, amounts due from fellow subsidiaries, related companies and non-controlling interests.

As disclosed in Note 4(f)(ii), the management used provision matrix to calculate the ECL of trade receivables, amounts due from fellow subsidiaries, related companies and non-controlling interests and the provision rates are based on groupings of various debtors by their ageing, which are considered of similar loss patterns, and taken into consideration the historical default rates and the forward-looking information.

As disclosed in Notes 17 and 19, the carrying amounts of trade receivables, amounts due from fellow subsidiaries, related companies and non-controlling interests are RMB94,129,000, RMB104,142,000, RMB50,633,000 and RMB11,000 respectively as at 31 December 2021, after net off the provision of ECL of trade receivables of RMB7,838,000 recognised in profit or loss for the year ended 31 December 2021.

Our response:

Our procedures in relation to the estimated provision of ECL of trade receivables, amounts due from fellow subsidiaries, related companies and non-controlling interests included:

— Obtaining an understanding of the management process and the key controls in ECL assessment and assumptions made in determining the default rates for ECL assessment of the debtors using provision matrix and evaluating the reasonableness of any quantitative, qualitative and forward-looking information incorporated by the management;

— Testing the information used by the management to develop the provision matrix, on a sample basis, to the source documents;

— Evaluating the appropriateness of the expected loss rates applied by reference to the historical default rates;

— Checking the mathematical accuracy of the ECL calculations;

— Evaluating the reasonableness of forward-looking information used by the management by reference to available market information; and

— Checking subsequent settlement of the year end debtors balances on a sample basis.

INDEPENDENT AUDITOR'S REPORT

Revenue recognition of real estate agency services income and property management services income

As disclosed in Note 7, the Group's real estate agency services income and property management services income amounted to approximately RMB263,857,000 and RMB206,570,000 respectively for the year ended 31 December 2021. Details of the accounting policies on revenue recognition of real estate agency services income and property management services income are set out in Note 4(n). As detailed in Note 5(i), there is significant estimate involved in the variable consideration of real estate agency services income.

Our response:

Our procedures in relation to revenue recognition of real estate agency services income and property management services income included:

— Obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls over revenue recognition;

— Assessing the appropriateness of the Group's revenue recognition policy under HKFRS 15 by inspecting a sample of representative contracts with customers; and

— Checking the accuracy of the amounts of real estate agency services income and property management services income recognised, on a sample basis.

Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Li Pak Ki
Practising Certificate no.: P01330
Hong Kong, 30 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	**2021 RMB'000**	2020 RMB'000 (Restated)
Revenue	*7*	**571,408**	276,725
Cost of services		**(432,802)**	(226,505)
Gross profit		**138,606**	50,220
Other income and gains/(losses), net	*8*	**6,011**	3,487
Selling and marketing expenses		**(6,067)**	(6,209)
Administrative expenses		**(99,028)**	(24,791)
Impairment losses on trade and other receivables, net		**(7,968)**	(282)
Finance costs		**(261)**	(433)
Profit before income tax	*9*	**31,293**	21,992
Income tax	*12(a)*	**(2,028)**	(10,317)
Profit for the year		**29,265**	11,675
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**1,257**	1,786
Total comprehensive income for the year		**30,522**	13,461
Profit attributable to:			
Owners of the Company		**20,197**	10,914
Non-controlling interests		**9,068**	761
		29,265	11,675
Total comprehensive income attributable to:			
Owners of the Company		**21,454**	12,700
Non-controlling interests		**9,068**	761
		30,522	13,461

		RMB cents	*RMB cents*
Earnings per share			
— Basic and diluted	*14*	**5.05**	2.73

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	15	**13,355**	2,040
Right-of-use assets	16(a)	**3,940**	6,665
Goodwill	26	**31,333**	–
Other intangible assets	27	**29,146**	–
Deferred tax assets	12(c)	**2,716**	–
Total non-current assets		**80,490**	8,705
Current assets			
Trade receivables	17	**94,129**	23,734
Deposits, prepayments and other receivables	18	**33,924**	14,290
Amounts due from fellow subsidiaries	19	**104,142**	24,202
Amounts due from related companies	19	**50,633**	10,501
Amounts due from non-controlling interests	19	**11**	–
Financial assets at fair value through profit or loss	20	**500**	–
Bank balances and cash	21	**90,342**	138,481
Total current assets		**373,681**	211,208
Current liabilities			
Trade payables	22(a)	**56,033**	22,232
Contingent consideration payable	22(b)	**6,129**	–
Contract liabilities	23	**38,055**	3,410
Accruals and other payables	22(c)	**111,230**	20,619
Lease liabilities	16(b)	**1,291**	2,886
Amounts due to fellow subsidiaries	19	**5,296**	–
Amounts due to related companies	19	**329**	–
Tax payable		**12,336**	20,093
Total current liabilities		**230,699**	69,240
Net current assets		**142,982**	141,968
Total assets less current liabilities		**223,472**	150,673

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Contingent consideration payable	22(b)	5,638	–
Lease liabilities	16(b)	2,697	4,228
Deferred tax liabilities	12(c)	10,087	4,389
Total non-current liabilities		18,422	8,617
Net assets		205,050	142,056
Capital and reserves			
Share capital	24	3,403	3,403
Reserves	25	155,440	137,347
Equity attributable to owners of the Company		158,843	140,750
Non-controlling interests	36	46,207	1,306
Total equity		205,050	142,056

Approved and authorised for issue by the board of directors on 30 March 2022.

Rong Haiming
Executive Director

Yi Ruofeng
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Statutory reserve *RMB'000*	Exchange reserve *RMB'000*	Retained profits *RMB'000*	Equity attributable to owners of the Company *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
As at 1 January 2020	3,403	51,677	5,987	7,982	(3,079)	62,080	128,050	545	128,595
Profit for the year	–	–	–	–	–	10,914	10,914	761	11,675
Other comprehensive income									
Exchange differences on translation of foreign operations	-	-	-	-	1,786	-	1,786	–	1,786
Total comprehensive income for the year	–	–	–	–	1,786	10,914	12,700	761	13,461
Profit appropriations to statutory reserve	–	–	–	3,252	–	(3,252)	–	–	–
As at 31 December 2020 and 1 January 2021	3,403	51,677	5,987	11,234	(1,293)	69,742	140,750	1,306	142,056
Profit for the year	–	–	–	–	–	20,197	20,197	9,068	29,265
Other comprehensive income									
Exchange differences on translation of foreign operations	–	–	–	–	1,257	–	1,257	–	1,257
Total comprehensive income for the year	–	–	–	–	1,257	20,197	21,454	9,068	30,522
Acquisition of subsidiaries *(Note 35)*	–	–	–	–	–	–	–	37,215	37,215
Capital contribution from the non-controlling interests	–	–	–	–	–	–	–	487	487
Profit appropriations to statutory reserve	–	–	–	1,719	–	(1,719)	–	–	–
Dividends approved in respect of the previous year *(Note 13)*	–	–	–	–	–	(3,361)	(3,361)	–	(3,361)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(1,869)	(1,869)
As at 31 December 2021	3,403	51,677	5,987	12,953	(36)	84,859	158,843	46,207	205,050

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Profit before income tax		**31,293**	21,992
Adjustments for:			
Interest income		**(1,152)**	(1,405)
Fair value loss on contingent consideration payable		**117**	–
Depreciation of property, plant and equipment		**2,462**	854
Depreciation of right-of-use assets		**2,245**	3,928
Amortisation of other intangible assets		**4,313**	–
Finance costs		**261**	433
Impairment loss on trade and other receivables, net		**7,968**	282
Recovery of trade and other receivables after acquisition		**(2,953)**	–
Loss on disposal of property, plant and equipment		**99**	502
Loss arising from acquisition of assets	35(b)	**536**	–
Currency translation differences		**1,285**	1,762
COVID-19-related rent concessions		**–**	(137)
Gain on lease modifications		**(448)**	(226)
Operating profit before working capital changes		**46,026**	27,985
(Increase)/decrease in trade receivables		**(47,198)**	10,997
Decrease in deposits, prepayments and other receivables		**798**	9,701
Increase in amounts due from fellow subsidiaries		**(30,136)**	(2,490)
(Increase)/decrease in amounts due from related companies		**(35,568)**	4,059
Decrease in amounts due from non-controlling interests		**14,988**	–
Increase in trade payables		**17,590**	4,687
Increase/(decrease) in contract liabilities		**13,845**	(4,568)
Increase/(decrease) in accruals and other payables		**17,816**	(3,496)
Decrease in amounts due to fellow subsidiaries		**(747)**	–
Increase in amounts due to related companies		**329**	–
Cash (used in)/generated from operations		**(2,257)**	46,875
Income tax paid		**(15,569)**	(4,073)
Net cash (used in)/generated from operating activities		**(17,826)**	42,802
Cash flows from investing activities			
Interest income received		**1,152**	1,405
Purchases of property, plant and equipment		**(4,090)**	(257)
Proceeds from disposal of property, plant and equipment		**7**	44
Purchases of financial assets at fair value through profit or loss		**(500)**	–
Payment of deposits for acquisition of subsidiaries	18	**(9,600)**	–
Acquisition of subsidiaries, net of cash and cash equivalents acquired	35(a)	**(9,543)**	–
Net cash outflow from acquisition of a subsidiary under asset acquisition	35(b)	**(509)**	–
Net cash (used in)/generated from investing activities		**(23,083)**	1,192

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Cash flows from financing activities			
Capital contribution from the non-controlling interests		**487**	–
Dividends paid		**(3,361)**	–
Dividends paid to non-controlling interests		**(1,869)**	–
Payment of principal portion of lease payments		**(2,198)**	(3,698)
Payment of interest portion of lease payments		**(261)**	(433)
Net cash used in financing activities		**(7,202)**	(4,131)
Net (decrease)/increase in cash and cash equivalents		**(48,111)**	39,863
Effect of foreign exchange rate changes		**(28)**	(44)
Cash and cash equivalents at beginning of year		**138,481**	98,662
Cash and cash equivalents at end of year		**90,342**	138,481
Analysis of balances of cash and cash equivalents			
Bank balances and cash		**90,342**	138,481

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

Fineland Living Services Group Limited (formerly known as Fineland Real Estate Services Group Limited) (the "Company") was incorporated as an exempted company in the Cayman Islands with limited liability. The address of its registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located at Unit B, 17/F., United Centre, 95 Queensway, Admiralty, Hong Kong. Since 15 November 2017, its shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the migration of the listing of its shares from GEM to the Main Board of the Stock Exchange on 28 May 2020.

Pursuant to a special resolution duly passed at the annual general meeting of the Company held on 28 May 2021, together with the approval of the Registrar of Companies in the Cayman Islands on 1 June 2021 and the approval of the Registrar of Companies in Hong Kong on 16 June 2021, the name of the Company has been changed from "Fineland Real Estate Services Group Limited (方圓房地產服務集團有限公司)" to "Fineland Living Services Group Limited (方圓生活服務集團有限公司)" with effect from 1 June 2021.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the provision of real estate agency services, provision of professional property management services and value-added services for residential and commercial properties in the People's Republic of China (the "PRC").

The immediate holding company and ultimate controlling holding company of the Company are Mansion Green Holdings Limited and Widethrive Investments Limited, respectively, companies incorporated in the British Virgin Islands (the "BVI") with limited liability. The directors of the Company consider that the Company is ultimately controlled by Mr. Fong Ming and Ms. Tse Lai Wa.

The accounting policy is same as last year. It reclassifies items in its financial statements to present comparative information of prior periods.

(a) Change of presentation of the consolidated statement of comprehensive income

During the year ended 31 December 2021, the Group has presented its operating expenses in the consolidated statement of comprehensive income by function instead of by nature as adopted in the previous period. The directors are of the view that:

— To present the expenses by function could better depict the characteristics of the real estate agency services and professional property management services that the Group engages in; and

— Expense items by function are more transparent, which is beneficial for investors to understand the businesses of the Group.

The financial results such as revenue, profit and total comprehensive income of the Group are not affected by the change of presentation and there has been no change in accounting policy.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new or revised HKFRSs — effective on 1 January 2021

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021

The Group has not early applied any amended HKFRSs, that is not yet effective for the current accounting period, except the amendment to HKFRS 16, COVID-19 Related Rent Concessions beyond 30 June 2021. The amended HKFRSs did not have any significant impact on the Group's financial performance and financial position.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 — Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

Amendment to HKFRS 16 — COVID-19-Related Rent Concessions beyond 30 June 2021

The 2021 Amendment to HKFRS 16 extends the availability of the practical expedient in paragraph 46A of HKFRS 16 so that it applies to rent concessions for which any deduction in lease payments affects only payment originally due on or before 30 June 2022, provided that the other conditions for applying the practical expedient are met.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(Continued)

(b) New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group in the preparation of these financial statements. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1 and HK Interpretation 5 (2020)	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Disclosure of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.

2 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

3 Effective for annual periods beginning on or after 1 January 2023.

4 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments require that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of "settlement" to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Interpretation 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New or revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKAS 1 and HKFRS Practice Statement 2 — Disclosure of Accounting Policies

The amendments to Disclosure of Accounting Policies were issued following feedback that more guidance was needed to help companies decide what accounting policy information should be disclosed. The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to HKAS 8 — Definition of Accounting Estimates

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

Amendments to HKAS 12 — Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the initial recognition exemptions so that it does not apply to transactions that give rise to equal and offsetting temporary differences.

Amendments to HKAS 37 — Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to HKFRS 3 — Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New or revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Annual Improvements to HKFRSs 2018-2020

The annual improvements amend a number of standards, including:

- HKFRS 9, Financial Instruments, which clarifies the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amends Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The directors of the Company do not anticipate that the application of the above new or amendments to HKFRSs in the future will have an impact on the financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

3. BASIS OF PREPARATION *(Continued)*

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis, except for financial assets at fair value through profit and loss and contingent consideration payable which have been measured at fair value.

(c) Functional and presentation currency

The financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company's subsidiaries established in the PRC. The functional currency of the Company is Hong Kong dollars ("HK$"). All values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination or asset acquisition and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired during the reporting period are included in the consolidated statement of comprehensive income from the dates of acquisition. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Asset acquisition

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price to financial assets and financial liabilities at the respective fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combination

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Business combination or asset acquisition and basis of consolidation *(Continued)*

Business combination *(Continued)*

The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained with the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights to, variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position (Note 38), interests in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Historical cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to profit or loss in the period in which it is incurred. In situations where it is probable that future economic benefits of the expenditure will flow to the entity, and the cost of which can be measured reliably, the expenditure is capitalised as an additional cost of the asset or a separate asset.

Depreciation is charged so as to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Land and building	Over the remaining unexpired period of the lease or 20 years, whichever is the shorter
Furniture, fixtures and equipment	20%
Motor vehicles	25%
Computer equipment and software	10% to $33^1/_3$%
Leasehold improvements	Annual rates as determined by shorter of expected useful lives of 5 years and the unexpired period of the leases

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(d) Leases

As a lessee

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Leases *(Continued)*

Right-of-use asset

The right-of-use asset is initially recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. The right-of-use asset is depreciated over the shorter of the asset's estimated useful life and the lease term on a straight-line basis.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Leases *(Continued)*

Lease liability *(Continued)*

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. With the exception to which the practical expedient for COVID-19-Related Rent Concessions applies (see Note 2(a)), if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

(e) Intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

The useful lives and amortisation method are reviewed, and adjusted if appropriate, at the end of each reporting period. Amortisation is provided on a straight-line basis over their useful lives as follows:

Customer relationship	8 years
Backlog	1 year

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases:

(1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and

(2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 "Financial Instruments" simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets *(Continued)*

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

(iii) Financial liabilities (Continued)

Financial liabilities at FVTPL (Continued)

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, accruals and other payables and amounts due to fellow subsidiaries and related companies are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(g) Impairment of non-financial assets (excluding goodwill)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and other intangible assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible into a known amount of cash and which are subject to an insignificant risk of changes in value.

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(j) Taxation

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Translation of foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of the reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange reserve.

(l) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the period when the employees rendered the related service.

(ii) Retirement benefits scheme

The Group's contributions to the defined contribution retirement scheme are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions applies:

  (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (iii) Both entities are joint ventures of the same third party.

  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

  (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

  (vi) The entity is controlled or jointly controlled by a person identified in (a).

  (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

  (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parents.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax.

Depending on the terms of the contract and the laws that apply to the contract, control of the services may be transferred over time or at a point in time. Control of the services is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the services.

Revenue from real estate agency services is recognised at a point in time when the service is rendered and the property buyer has executed the sale and purchase agreement and made the required payments according to the terms and conditions stated in different agency contracts, since only by that time the Group has an enforceable right to payment from the property developers for the services performed. The Group's commission rate receivable is variable based on a pre-agreed sales target. Before the Group met the agreed sales target, the Group will recognise revenue based on a lower commission rate. Until when the sales target is met, the Group will recognise the incremental revenue, representing the variable considerations, at the higher commission rate on the performance obligations satisfied in previous periods. Performance bonus for reaching sales target pre-agreed with certain property developers is only recognised to the extent that it is highly probable that a significant reversal in the cumulative amount of revenue recognised will not occur.

Revenue from property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services, and the Group recognises the fee received or receivable from property owners as its revenue in the amount to which the Group has a right to bill and that corresponds directly with the services rendered, and all related property management costs as its cost of services. Revenue from property management services is recognised over time in the accounting period in which services are rendered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Revenue recognition *(Continued)*

Revenue from value-added services is recognised over time. The Group issues the monthly bill to the customers based on actual level of services provided at a pre-determined price when such services are rendered in that month.

Revenue from community value-added services is recognised when the related services are rendered. Payment of the transaction is due immediately when the community value-added services are rendered to the customers.

Revenue from software service income is recognised over time. Payment of the transaction is due immediately when the software services are rendered to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified goods or service before that goods or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified goods or service by another party. In this case, the Group does not control the specified goods or service provided by another party before that goods or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree over the fair value of the identifiable assets and liabilities measured as at the acquisition date.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the combination. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4(g)), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit on a pro-rata basis on the carrying amount of each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(p) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

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

The judgements in applying the Group's accounting policies, and estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Revenue recognition of real estate agency services income

Management estimates the total consideration of real estate agency services income, including an estimate of variable consideration, received in exchange for the services rendered, details of which are set out in Note 4(n). The variable consideration is the amount for which it is highly probable that a significant reversal in the cumulative amount of revenue recognised will not occur in future period when the uncertainty associated with the variable consideration is subsequently resolved.

(ii) Impairment of trade receivables, amounts due from fellow subsidiaries, related parties and non-controlling interests which are trade in nature

The Group makes allowance for impairment on trade receivables, amounts due from fellow subsidiaries, related parties and non-controlling interests based on assumptions about risk of default and ECL rates, details of which are set out in Note 31(a). The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of the reporting period.

(iii) Deferred tax liabilities

Deferred tax liabilities have been accrued at a tax rate of 10% on the undistributed earnings of subsidiaries of the Company in the PRC after taking into consideration of the historical dividend records of the relevant subsidiaries of the Company, details of which are set out in Note 12(c).

The dividend policy of the relevant subsidiaries is subject to the financial and market conditions, the availability of funding and reserves available for distribution of the relevant subsidiaries. If the dividend policy of the relevant subsidiaries of the Company has changed, the deferred tax in relation to withholding tax of undistributed earnings would be changed accordingly.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(iv) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates in revenue, estimated gross profit, estimated profit before tax and pre-tax discount rates. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of pre-tax discount rates, a material impairment loss or further impairment loss may arise.

As at 31 December 2021, the carrying amount of goodwill is RMB31,333,000 (2020: RMBNil). Details of the recoverable amount calculation are disclosed in Note 26.

(v) Estimated useful lives of intangible assets with finite useful lives

Management determines the estimated useful lives of the Group's intangible assets with finite useful lives for the calculation of amortisation of intangible assets. This estimate is determined after considering the expected period in which economic benefits can be generated from the intangible assets. Management reviews the estimated useful lives on an annual basis and future amortisation charges are adjusted where management believes the useful lives differ from previous estimates.

(vi) Impairment of non-financial assets (excluding goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets, observable market prices, transaction prices of similar assets in less active markets with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices, or other valuation techniques, as appropriate, less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(vii) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, their fair values are determined using valuation techniques including the use of comparable recent arm's length transactions and other valuation techniques commonly used by other market participants. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements and estimates include considerations of inputs such as volatility, risk-free rate, earning multiples and discount rate. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

6. SEGMENT REPORTING

The Group has determined its operating segments and prepared segmental information based on regular internal financial information that is based on a measure of operating results reported to the chief operating decision makers ("CODM"), i.e. the executive directors of the Company, who are responsible for making strategic decisions. The CODM review the Group's internal reporting in order to assess the performance and allocate the resources and have determined the operating segments based on these reports. For the year ended 31 December 2021, the Group commenced the provision of professional property management services along with various acquisitions in 2021 (as detailed in Note 35), and it is considered as a new operating and reportable segment by the CODM. The Group's reportable and operating segments for the year ended 31 December 2021 are as follows:

(i) provision of comprehensive real estate agency services; and

(ii) provision of professional property management services

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

6. SEGMENT REPORTING *(Continued)*

Reportable segments

The CODM monitor the results of its service lines separately for the purpose of making decision about resources allocation and performance assessment. Segment performance is evaluated based on the results from the reportable segments as explained in the table below.

	Year ended 31 December 2021		
	Real estate agency services *RMB'000*	Property management services *RMB'000*	Total *RMB'000*
Segment revenue			
External sales	263,857	307,551	571,408
Intersegment sales	–	1,651	1,651
Reconciliation			
Elimination of intersegment sales	–	(1,651)	(1,651)
Total revenue	263,857	307,551	571,408
Segment results	43,755	60,392	104,147
Reconciliation:			
Fair value loss on contingent consideration payable			(117)
Unallocated corporate expenses			(72,737)
Profit before income tax			31,293

Unallocated corporate expenses mainly comprises loss arising from acquisition of assets, legal and professional fees and salaries and allowances.

	Year ended 31 December 2021		
	Real estate agency services *RMB'000*	Property management services *RMB'000*	Total *RMB'000*
Other segment information			
Capital expenditure	250	3,840	4,090
Impairment loss on trade and other receivables, net	39	7,929	7,968
Depreciation of property, plant and equipment	494	1,968	2,462
Depreciation of right-of-use assets	2,190	55	2,245
Amortisation of other intangible assets	–	4,313	4,313
Finance costs	252	9	261

6. SEGMENT REPORTING *(Continued)*

Segment assets and liabilities

As the Group's segment assets and liabilities are not regularly reviewed by the CODM, the measure of total assets and liabilities for each operating segment is therefore not presented.

For the year ended 31 December 2020, the Group's operation was solely derived from the provision of comprehensive real estate agency services and accordingly, the Group presented only one single operating segment and no further operating segment analysis thereof was presented.

Geographical information

As the CODM consider the Group's revenue and results are all derived from provision of services in the PRC and no significant consolidated assets of the Group are located outside the PRC except bank balances in Hong Kong, geographical segment information is not considered necessary.

Information about major customers

Revenue from customers with whom transactions have exceeded 10% of the Group's revenue, is as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Fineland Group Holdings Company Limited ("Fineland Group Holdings") and its subsidiaries* (collectively the "Fineland Group")	**121,029**	106,158
Investee company of the Fineland Group	**57,441**	30,018

* Fellow subsidiaries of the Company

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

7. REVENUE

Disaggregation of revenue by each significant category and timing of revenue recognition are as follows:

Reportable segment/Type of goods or services	Revenue from customers and recognised	2021 RMB'000	2020 RMB'000
Real estate agency services			
Real estate agency services income	at a point in time	**263,857**	276,725
Property management services			
Property management services income	over time	**206,570**	–
Value-added services to non-property owners	over time	**48,203**	–
Community value-added services			
— Other value-added services	over time	**43,377**	–
— Sales of goods	at a point in time	**3,062**	–
Software service income	over time	**6,339**	–
		307,551	–
		571,408	276,725

Unsatisfied performance obligations

For property management services income, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts. The majority of the property management service contracts do not have a fixed term. The term of the contracts for value-added services to non-property owners is generally set to expire when the counterparties notify the Group that the services are no longer required.

For value-addded services to non-property owners, community value-added services and software services are rendered in short period of time and there is no unsatisfied performance obligation at the end of respective periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

8. OTHER INCOME AND GAINS/(LOSSES), NET

	2021 **RMB'000**	2020 RMB'000
COVID-19-related rent concessions *(Note 33(b))*	–	137
Gain on lease modifications *(Note 16)*	**448**	226
Government grants *(Note)*	**2,038**	1,010
Interest income	**1,152**	1,405
Fair value loss on contingent consideration payable	**(117)**	–
Loss arising from acquisition of assets *(Note 35(b))*	**(536)**	–
Recovery of trade and other receivables after acquisition	**2,953**	–
Others	**73**	709
	6,011	3,487

Note: The government grants in 2021 mainly represent refunds of value-added tax and other taxes benefits from the PRC tax authorities. The government grants in 2020 mainly represented unconditional grants received from local government to encourage the Group's development. There were no unfulfilled conditions relating to the grants.

9. PROFIT BEFORE INCOME TAX

This is arrived at after charging:

	2021 **RMB'000**	2020 RMB'000
Auditor's remuneration		
— audit services	**1,958**	1,208
— non-audit services	**321**	–
Amortisation of other intangible assets (included in administrative expenses)	**4,313**	-
Depreciation of property, plant and equipment	**2,462**	854
Depreciation of right-of-use assets	**2,245**	3,928
Exchange losses, net	**1,350**	1,900
Loss on disposal of property, plant and equipment	**99**	502
Finance costs:		
Interest expenses on lease liabilities	**261**	433
Employee benefit expenses *(Note 10)*	**237,048**	93,822
Short-term lease expenses	**6,672**	2,769
Listing expenses *(Note)*	–	4,966

Note:

The listing expenses were the professional fees incurred relating to the application of the migration of listing of the shares from GEM to the Main Board of the Stock Exchange.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

10. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses (including directors' emoluments (Note 11)) comprise:

	2021 ***RMB'000***	2020 *RMB'000*
Salaries, allowances and other benefits	**208,173**	92,026
Contributions to retirement benefits scheme	**28,875**	1,796
	237,048	93,822

11. DIRECTORS' EMOLUMENTS (INCLUDING CHIEF EXECUTIVE) AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments (including Chief Executive)

The emoluments of each of the directors (including Chief Executive) for the year are set out below:

	Directors' fees *RMB'000*	Salaries, allowances and other benefits *RMB'000*	Discretionary bonuses *RMB'000*	Contributions to retirement benefits scheme *RMB'000*	Total *RMB'000*
Year ended 31 December 2021					
Executive directors					
Ms. Rong Haiming	–	736	300	74	1,110
Mr. Yi Ruofeng	–	510	300	74	884
Ms. Tse Lai Wa	–	120	–	–	120
Mr. Han Shuguang*	–	65	–	–	65
Non-executive director					
Mr. Fong Ming	120	–	–	–	120
Independent non-executive directors					
Mr. Leung Wai Hung	179	–	–	–	179
Dr. Liao Junping	178	–	–	–	178
Mr. Tian Qiusheng	178	–	–	–	178
Mr. Du Chenhua	178	–	–	–	178
	833	1,431	600	148	3,012

* appointed as a director of the Company on 15 June 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

11. DIRECTORS' EMOLUMENTS (INCLUDING CHIEF EXECUTIVE) AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Directors' emoluments (including Chief Executive) *(Continued)*

	Directors' fees *RMB'000*	Salaries, allowances and other benefits *RMB'000*	Discretionary bonuses *RMB'000*	Contributions to retirement benefits scheme *RMB'000*	Total *RMB'000*
Year ended 31 December 2020					
Executive directors					
Ms. Rong Haiming	–	786	414	52	1,252
Mr. Yi Ruofeng	–	575	300	52	927
Ms. Tse Lai Wa	–	120	–	–	120
Non-executive director					
Mr. Fong Ming	120	–	–	–	120
Independent non-executive directors					
Mr. Leung Wai Hung	177	–	–	–	177
Dr. Liao Junping	190	–	–	–	190
Mr. Tian Qiusheng	190	–	–	–	190
Mr. Du Chenhua	190	–	–	–	190
	867	1,481	714	104	3,166

During the year, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2020: RMBNil). In addition, none of the directors waived or agreed to waive any remuneration during the year (2020: RMBNil).

The discretionary bonuses are determined by reference to the financial performance of the Group and the performance of the individual director for the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

11. DIRECTORS' EMOLUMENTS (INCLUDING CHIEF EXECUTIVES) AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Five highest paid individuals

The five individuals with the highest emoluments in the Group included two directors (2020: two directors) of the Company during the year, whose emoluments are included in the analysis presented in Note 11(a). The emoluments of the remaining non-director, highest paid individuals for the year, are as follows:

	2021 *RMB'000*	2020 *RMB'000*
Salaries, allowances and other benefits	**1,860**	1,639
Discretionary bonuses	**664**	651
Contributions to retirement benefits scheme	**120**	25
	2,644	2,315

During the year, no remuneration was paid by the Group to the highest paid individuals above as an inducement to join or upon joining the Group or as compensation for loss of office (2020: RMBNil).

The number of non-director, highest paid individuals whose emoluments fell within the following bands:

	2021 Number of individuals	2020 Number of individuals
HK$ Nil to HK$1,000,000 (equivalent to approximately RMB Nil to RMB829,000)	**–**	2
HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB829,001 to RMB1,243,000)	**3**	1
	3	3

The emoluments paid or payable to members of senior management were within the following bands:

	2021 Number of individuals	2020 Number of individuals
HK$ Nil to HK$1,000,000 (equivalent to approximately RMB Nil to RMB829,000)	**–**	2
HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB829,001 to RMB1,243,000)	**1**	–
	1	2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

12. INCOME TAX

(a) The amounts of income tax in the consolidated statement of comprehensive income represent:

	2021	2020
	RMB'000	*RMB'000*
Current tax — PRC Enterprise Income Tax ("EIT")		
— provision for the year	**5,660**	7,866
— Under/(over) provision in respect of prior years	**49**	(364)
	5,709	7,502
Deferred tax *(Note 12(c))*	**(3,681)**	2,815
	2,028	10,317

Notes:

(i) No Hong Kong profits tax has been provided as the Group has no estimated assessable profits arising in Hong Kong for the current and prior years.

(ii) Under the PRC EIT Law, the Group's PRC entities are subject to income tax at a rate of 25%, except for certain subsidiaries which qualified as small enterprises and micro businesses and enjoy preferential income tax rate of 2.5% and 10% (2020: 5% and 10%) respectively for the year ended 31 December 2021.

(b) Income tax for the year can be reconciled to profit before income tax per the consolidated statement of comprehensive income as follows:

	2021	2020
	RMB'000	*RMB'000*
Profit before income tax	**31,293**	21,992
Taxation calculated at PRC EIT rate of 25% (2020: 25%)	**7,823**	5,498
Tax effect of different tax rates of subsidiaries with low profits	**(6,829)**	(1,388)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**961**	1,039
Tax effect of revenue not taxable for tax purposes	**(5,216)**	–
Tax effect of expenses not deductible for tax purposes	**5,053**	2,616
Tax effect of tax losses not recognised	**1,691**	102
Tax allowances granted to a PRC subsidiary	**–**	(1)
Deferred tax on undistributed earnings of PRC subsidiaries	**(1,504)**	2,815
Under/(over) provision of tax expense in prior years	**49**	(364)
Income tax for the year	**2,028**	10,317

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

12. INCOME TAX *(Continued)*

(c) Deferred tax

The movements in deferred tax liabilities and assets during the current and prior years are as follows:

	Tax losses *RMB'000*	Impairment of trade receivables *RMB'000*	Fair value adjustments on acquisition of subsidiaries *RMB'000*	Undistributed earnings of a subsidiary in the PRC *RMB'000*	Total *RMB'000*
As at 1 January 2020	–	–	–	2,031	2,031
Transferred upon payment of dividends	–	–	–	(457)	(457)
Charged to profit or loss *(Note 12(a))*	–	–	–	2,815	2,815
As at 31 December 2020 and 1 January 2021	–	–	–	4,389	4,389
Acquisition of subsidiaries *(Note 35(a))*	(724)	(832)	8,219	–	6,663
Credited to profit or loss *(Note 12(a))*	48	(1,208)	(1,017)	(1,504)	(3,681)
As at 31 December 2021	(676)	(2,040)	7,202	2,885	7,371

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2021 ***RMB'000***	2020 *RMB'000*
Deferred tax assets	**2,716**	–
Deferred tax liabilities	**(10,087)**	(4,389)
	(7,371)	(4,389)

Pursuant to the PRC EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10% for the unremitted earnings of the PRC subsidiaries. The Group is therefore liable for withholding taxes on dividends distributed by the subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

12. INCOME TAX *(Continued)*

(c) Deferred tax *(Continued)*

As at 31 December 2021, no deferred tax liability was provided for the withholding tax that would be payable on certain unremitted earnings amounting to RMB123,189,000 (2020: RMB76,860,000). Such amount of unremitted earnings was expected to be retained by the PRC subsidiaries and not be remitted to a foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

As at 31 December 2021, the Group had unused tax losses of approximately RMB5,594,000 (2020: RMB659,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to unpredictability of future profits streams.

The unused tax losses will be available within five to ten years for offsetting against future taxable profits of the companies in which the losses arose.

As at 31 December 2021, the Group did not have other material unrecognised deferred tax (2020: RMBNil).

13. DIVIDENDS

During the year ended 31 December 2021, a final dividend of HK1 cent per share, totalling HK$4,000,000 or RMB3,361,000, in relation to the year ended 31 December 2020 was declared and paid (2020: RMBNil).

The directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2021.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	2021	2020
Profit for the year attributable to the owners of the Company *(RMB'000)*	**20,197**	10,914
Weighted average number of ordinary shares for the purpose of basic earnings per share	**400,000,000**	400,000,000

Diluted earnings per share are the same as basic earnings per share as there were no dilutive potential ordinary shares outstanding for the years ended 31 December 2021 and 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

15. PROPERTY, PLANT AND EQUIPMENT

	Land and building *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Computer equipment and software *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
Cost						
As at 1 January 2020	–	753	395	2,816	3,152	7,116
Additions	621	32	–	373	128	1,154
Disposals	–	(121)	–	(157)	(1,224)	(1,502)
As at 31 December 2020 and 1 January 2021	621	664	395	3,032	2,056	6,768
Additions	–	199	43	2,278	1,570	4,090
Acquisition of subsidiaries *(Note 35(a))*	2,270	128	274	5,432	1,689	9,793
Disposals	–	(31)	–	(177)	(1,036)	(1,244)
As at 31 December 2021	2,891	960	712	10,565	4,279	19,407
Accumulated depreciation						
As at 1 January 2020	–	(544)	(235)	(2,159)	(1,892)	(4,830)
Depreciation for the year	(20)	(38)	(94)	(235)	(467)	(854)
Eliminated on disposals	–	44	–	115	797	956
As at 31 December 2020 and 1 January 2021	(20)	(538)	(329)	(2,279)	(1,562)	(4,728)
Depreciation for the year	(68)	(76)	(94)	(1,898)	(326)	(2,462)
Eliminated on disposals	–	20	–	167	951	1,138
As at 31 December 2021	(88)	(594)	(423)	(4,010)	(937)	(6,052)
Net carrying amount						
As at 31 December 2021	2,803	366	289	6,555	3,342	13,355
As at 31 December 2020	601	126	66	753	494	2,040

16. LEASES

The Group entered into a number of lease agreements for the use of office and shop premises in the PRC with lease terms ranging from 2 to 5 years (2020: from 2 to 5 years). Certain lease agreements contain options to extend or terminate the lease. Under certain lease agreements with the extension option, the rental amount and lease terms for extension period are subject to negotiation with respective landlords on an individual basis at the time of renewal.

Due to the persistence of COVID-19 pandemic during the year ended 31 December 2021, the Group exercised termination options of certain leases. As a result of lease modifications, right-of-use assets with aggregate costs of RMB10,030,000 (2020: RMB9,008,000) and accumulated depreciation of RMB4,226,000 (2020: RMB3,854,000) and the corresponding lease liabilities of RMB6,252,000 (2020: RMB5,380,000) are derecognised and accordingly, a gain on lease modifications of RMB448,000 (2020: RMB226,000) has been recognised as other income in profit or loss during the year (Note 8).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

16. LEASES *(Continued)*

(a) Right-of-use assets

	Office and shop premises *RMB'000*
Cost	
As at 1 January 2020	18,413
Additions	2,470
Lease modifications	(9,008)
Written-off	(708)
As at 31 December 2020 and 1 January 2021	11,167
Additions	5,324
Lease modifications	(10,030)
Written-off	(2,110)
As at 31 December 2021	4,351
Accumulated depreciation	
As at 1 January 2020	(5,136)
Depreciation for the year	(3,928)
Eliminated on lease modifications	3,854
Eliminated on written-off	708
As at 31 December 2020 and 1 January 2021	(4,502)
Depreciation for the year	(2,245)
Eliminated on lease modifications	4,226
Eliminated on written-off	2,110
As at 31 December 2021	(411)
Net carrying amount	
As at 31 December 2021	3,940
As at 31 December 2020	6,665

Total cash outflow for leases included in the consolidated statement of cash flows:

	2021 ***RMB'000***	2020 *RMB'000*
Within operating activities	**6,672**	2,769
Within financing activities	**2,459**	4,131
	9,131	6,900

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

16. LEASES *(Continued)*

(b) Lease liabilities

	2021 *RMB'000*	2020 *RMB'000*
Current liabilities	**1,291**	2,886
Non-current liabilities	**2,697**	4,228
	3,988	7,114

Included in the current lease liabilities is an amount with a related party who is a daughter of Ms. Tse Lai Wa, a director and the ultimate controlling shareholder of the Company, of RMBNil (2020: RMB288,000).

As at 31 December 2021	**Present value** *RMB'000*	**Interest** *RMB'000*	**Minimum lease payments** *RMB'000*
Not later than one year	**1,291**	**31**	**1,322**
Later than one year and not later than two years	**1,144**	**81**	**1,225**
Later than two years and not later than five years	**1,553**	**200**	**1,753**
	3,988	**312**	**4,300**

As at 31 December 2020	Present value *RMB'000*	Interest *RMB'000*	Minimum lease payments *RMB'000*
Not later than one year	2,886	70	2,956
Later than one year and not later than two years	2,090	160	2,250
Later than two years and not later than five years	2,138	344	2,482
	7,114	574	7,688

17. TRADE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	103,628	25,395
Less: Impairment losses	(9,499)	(1,661)
	94,129	23,734

Trade receivables are mainly receivables of property management services income and real estate agency services income and no credit terms are granted generally. For property management services income, the customers are required to settle the invoices which are due on presentation. For real estate agency services income, the customers are required to settle the amounts due upon completion of services provided or pursuant to the terms and conditions of the relevant agreements. The ageing analysis of trade receivables (net of impairment losses) based on invoice date (which is also the due date) as of the end of the reporting period is as follows:

	2021 RMB'000	2020 RMB'000
Within 3 months	80,763	23,217
4 to 12 months	5,224	517
1 to 2 years	5,724	–
Over 2 years	2,418	–
	94,129	23,734

The directors of the Company consider that the carrying amounts of trade receivables approximate their fair values.

No interest is charged on trade receivables.

In determining the recoverability of the trade receivables, the Group monitors any change in the credit quality of the trade receivables.

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime ECLs provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Movements in the provision for impairment of trade receivables are shown in Note 31(a). For the year ended 31 December 2021, additional provision of RMB7,838,000 (2020: RMB282,000) was made against the gross amounts of trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Rental and utility deposits	**1,888**	1,304
Prepayments *(Note (a))*	**6,666**	9,086
Other receivables and deposits *(Note (b))*	**15,275**	3,900
Payment on behalf of property owners	**495**	–
Deposits paid for acquisition of subsidiaries	**9,600**	–
	33,924	14,290

Notes:

(a) The balance represents prepaid utilities, cleaning fee, fuel for motor vehicles and commissions to real estate agents. The remaining prepayments will be subsequently recognised as administrative expenses when the Group consumes the benefits of such expenses. For the prepaid commissions, it will be subsequently recognised as commission expenses and charged to profit or loss when the Group recognises the related real estate agency services income.

(b) As at 31 December 2021, other receivables and deposits included deposits paid to real estate agents of approximately RMB3,012,000 (2020: RMB3,339,000) in accordance with the underlying agreements to enable them to carry out the real estate agency services to the Group in the primary market projects situated in the PRC. The deposits will be released to the Group upon completion of the respective agreements with terms that are generally less than one year.

19. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES, RELATED COMPANIES AND NON-CONTROLLING INTERESTS

The amounts due from/to fellow subsidiaries, related companies and non-controlling interests as at 31 December 2020 and 2021 are trade in nature, unsecured, interest-free and they are obliged to settle the amounts due upon completion of services provided or pursuant to the terms and conditions of the relevant agreements. The related companies are investee companies of the Fineland Group and there are common directors between Fineland Group Holdings and the investee companies.

The impairment policies on amounts due from fellow subsidiaries, related companies and non-controlling interests during the years ended 31 December 2020 and 2021 are the same as those on trade receivables as set out in Note 17.

19. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES, RELATED COMPANIES AND NON-CONTROLLING INTERESTS *(Continued)*

The ageing analysis of amounts due from fellow subsidiaries, related companies and non-controlling interests based on invoice date (which is also the due date) as of the end of the reporting period is as follows:

	2021 RMB'000	2020 RMB'000
Amounts due from fellow subsidiaries		
Within 3 months	78,459	23,092
4 to 12 months	25,683	1,110
	104,142	24,202
Amounts due from related companies		
Within 3 months	40,620	10,501
4 to 12 months	10,013	–
	50,633	10,501

	2021 RMB'000	2020 RMB'000
Amounts due from non-controlling interests		
Within 3 months	11	–

The ageing analysis of amounts due to fellow subsidiaries and related companies based on invoice date as of the end of the reporting period is as follows:

	2021 RMB'000	2020 RMB'000
Amounts due to fellow subsidiaries		
Within 3 months	4,610	–
4 to 12 months	686	–
	5,296	–

	2021 RMB'000	2020 RMB'000
Amounts due to related companies		
Within 3 months	329	–

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20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 **RMB'000**	2020 RMB'000
Unlisted investments, at fair value	**500**	–

The above unlisted investments were wealth management products issued by a bank in the PRC. They were classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

21. BANK BALANCES AND CASH

As at 31 December 2020 and 2021, bank balances carry interest at prevailing deposit rates.

As at 31 December 2021, included in the Group's bank balances is an amount of approximately RMB88,845,000 (2020: RMB138,094,000), which are deposits with banks in the PRC and denominated in RMB, and RMB is not a freely convertible currency.

22. TRADE PAYABLES, CONTINGENT CONSIDERATION PAYABLE AND ACCRUALS AND OTHER PAYABLES

(a) Trade payables

The amounts mainly represented the commissions payable to cooperative real estate agents and payable to the property management service providers. The ageing analysis of trade payables based on invoice date as of the end of the reporting period is as follows:

	2021 **RMB'000**	2020 RMB'000
Within 3 months	**55,758**	22,232
4 to 12 months	**275**	–
	56,033	22,232

The directors of the Company consider that the carrying amounts of trade payables approximate their fair values as at the end of the reporting period. Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 180 days from the date of invoice.

22. TRADE PAYABLES, CONTINGENT CONSIDERATION PAYABLE AND ACCRUALS AND OTHER PAYABLES *(Continued)*

(b) Contingent consideration payable

	2021 RMB'000	2020 RMB'000
Contingent consideration payable	11,767	–
Categorised as:		
Current portion	6,129	–
Non-current portion	5,638	–
	11,767	–

Contingent consideration payable represents the fair value of contingent cash consideration which may be paid by the Group for the acquisition of Ji Yang Hong. Details are disclosed in Note 35(a)(iv).

(c) Accruals and other payables

	2021 RMB'000	2020 RMB'000
Accrued staff benefit expenses	56,810	14,097
Deposits received *(Note)*	34,781	–
Temporary receipts from properties owners	454	–
Accrued utilities	3,933	–
Other tax payables	7,422	4,798
Others	7,830	1,724
	111,230	20,619

Note:

Deposits received were mainly received from tenants as performance securities in relation to tenancy agreements or property management services agreements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

23. CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities:

	2021 ***RMB'000***	2020 *RMB'000*
Contract liabilities from third parties	**38,055**	3,410

Movements in contract liabilities

	2021 ***RMB'000***	2020 *RMB'000*
Balance as at 1 January	**3,410**	7,978
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(3,410)**	(7,978)
Increase in contract liabilities as a result of receipt in advance of real estate agency services and property management services income	**38,055**	3,410
Balance at 31 December	**38,055**	3,410

24. SHARE CAPITAL

	Number	**Amount** *HK$'000*
Ordinary shares at par value of HK$0.01 each		
Authorised		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	10,000,000,000	100,000

	Number	**Amount** *HK$'000*	**Amount** *RMB'000*
Ordinary shares at par value of HK$0.01 each			
Issued and fully paid			
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	400,000,000	4,000	3,403

25. RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. The nature and purpose of the reserves are as follows:

Share premium

Share premium is the excess of the proceeds received over the par value of the shares of the Company issued at a premium, less share issuing expenses.

Capital reserve

Capital reserve represents the difference between the fair value of the consideration paid and the carrying value of the subsidiaries acquired and was recorded in the equity.

Statutory reserve

In accordance with the relevant laws and regulations in the PRC and articles of association of the PRC subsidiaries, it is required to appropriate 10% of the annual net profits of the PRC subsidiaries, after offsetting any prior years' losses as determined under the relevant PRC accounting standards, to their respective statutory reserves before distributing any net profit. When the balances of the statutory reserves reach 50% of their respective registered capital, any further appropriation is at the discretion of equity owners.

Exchange reserve

This reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. This reserve is dealt with in accordance with the accounting policy in Note 4(k).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

26. GOODWILL

	2021 **RMB'000**	2020 RMB'000
Cost		
As at 1 January	**–**	–
Acquired through business combinations *(Note 35(a))*	**31,333**	–
As at 31 December	**31,333**	–
Accumulated impairment losses		
As at 1 January and 31 December	**–**	–
Net carrying amount		
As at 31 December	**31,333**	–

As set out in Note 35(a)(i), the Group has acquired approximately 66.31% of the equity interests in Guangzhou Fineland E-Life Service Co., Ltd. ("Fineland E-Life") at a consideration of RMB68,000,000 in cash. At the date of the acquisition, other intangible asset arising from customer relationship of RMB32,000,000 (Note 27) and goodwill of RMB5,528,000 have been recognised during the year ended 31 December 2021.

As set out in Note 35(a)(ii), the Group has acquired 100% of the equity interests in Guangzhou Fangheng Technology Co., Ltd. ("Fangheng Technology") at a consideration of RMB4,500,000 in cash. At the date of the acquisition other intangible asset arising from backlog of RMB1,459,000 (Note 27) and goodwill of RMB4,058,000 have been recognised during the year ended 31 December 2021.

As set out in Note 35(a)(iii), the Group has acquired 51% of the equity interests in Liuyang Jichuang Community Service Co., Ltd. ("Jichuang Community") at a consideration of RMB255,000 in cash. At the date of the acquisition, goodwill of RMB183,000 has been recognised during the year ended 31 December 2021.

As set out in Note 35(a)(iv), the Group has acquired 51% of the equity interests in Changsha Ji Yang Hong Property Management Co., Ltd. ("Ji Yang Hong") at a consideration of RMB12,373,000 and contingent consideration up to RMB11,650,000. At the date of the acquisition, goodwill of RMB21,564,000 has been recognised during the year ended 31 December 2021.

26. GOODWILL *(Continued)*

For the purpose of impairment testing, goodwill is allocated to the cash generating units ("CGUs") identified as follows:

	2021	2020
	RMB'000	*RMB'000*
Fineland E-Life	**5,528**	–
Fangheng Technology	**4,058**	–
Jichuang Community	**183**	–
Ji Yang Hong	**21,564**	–
As at 31 December	**31,333**	–

The recoverable amount of the CGU to which the goodwill relates has been determined based on a value in use calculation. The calculation is based on financial budgets covering a five-year period approved by management and followed by an extrapolation of expected cash flows with 2-11% growth rate. Key assumptions are based on past performance, management estimation on market development and general inflation based on the growth rates which did not exceed the long-term average growth rates for the business in which the CGU operates. The discount rate used for value in use calculations are pre-tax and reflect specific risks relating to the relevant CGU.

The key assumptions used for value in use calculations are as follows:

	Fineland E-Life	**Fangheng Technology**	**Jichuang Community**	**Ji Yang Hong**
Growth rate	3-5%	2-3%	6-11%	6-8%
Discount rate	15%	15%	14%	10%

The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of each of the CGU to exceed their respective recoverable amounts.

As at 31 December 2021, the directors of the Company determined that no impairment provision is required on goodwill.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

27. OTHER INTANGIBLE ASSETS

	Customer relationship *RMB'000*	Backlog *RMB'000*	Total *RMB'000*
Cost			
As at 1 January 2020, 31 December 2020 and 1 January 2021	–	–	–
Acquisition of subsidiaries *(Note 35(a))*	32,000	1,459	33,459
As at 31 December 2021	32,000	1,459	33,459
Amortisation			
As at 1 January 2020, 31 December 2020 and 1 January 2021	–	–	–
Amortisation for the year	3,705	608	4,313
As at 31 December 2021	3,705	608	4,313
Net carrying amount			
As at 31 December 2021	28,295	851	29,146
As at 31 December 2020	–	–	–

28. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitment

At the end of the reporting period, the Group did not have any significant capital commitment (2020: RMBNil).

(b) Contingent liability

At the end of the reporting period, the Group did not have any significant contingent liability (2020: RMBNil).

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FOR THE YEAR ENDED 31 DECEMBER 2021

29. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group entered into the following transactions with related parties:

	2021 **RMB'000**	2020 RMB'000
Real estate agency services income from fellow subsidiaries *(Note 29(j))*	**79,253**	106,158
Other real estate agency services income from an associate company of a fellow subsidiary	**–**	17
Real estate agency services income from investee companies of fellow subsidiaries	**53,060**	31,466
Real estate agency services income from associates of fellow subsidiaries *(Note 29(j))*	**20,638**	17,060
Property management services income from fellow subsidiaries *(Note 29(j))*	**6,193**	–
Property management services income from related companies *(Note 29(j))*	**654**	–
Property management services income from associates of fellow subsidiaries *(Note 29(j))*	**1,710**	–
Value-added services income from fellow subsidiaries *(Note 29(j))*	**30,981**	–
Value-added services income from associates of fellow subsidiaries *(Note 29(j))*	**5,702**	–
Value-added services income from investee companies of fellow subsidiaries	**4,733**	–
Other value-added services income from fellow subsidiaries *(Note 29(j))*	**554**	–
Other value-added services income from related companies *(Note 29(j))*	**20**	–
Other value-added services income from an associate of a fellow subsidiary *(Note 29(j))*	**62**	–
Sales of goods from fellow subsidiaries *(Note 29(j))*	**96**	–
Software service income from fellow subsidiaries *(Note 29(j))*	**4,456**	–
Software service income from related companies *(Note 29(j))*	**13**	–
Software service income from associates of fellow subsidiaries *(Note 29(j))*	**1,768**	–
Software service income from investee companies of fellow subsidiaries	**102**	–
Short-term leases expenses to fellow subsidiaries *(Note 29(j))*	**5,339**	2,375
Lease payments to a related party *(Note)*	**439**	298
Consultancy fee to a fellow subsidiary	**1,948**	779
Utilities to a fellow subsidiary	**35**	–

The above transactions were conducted on mutually agreed terms.

Note: The related party is a daughter of Ms. Tse Lai Wa, a director and the ultimate controlling shareholder of the Company.

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FOR THE YEAR ENDED 31 DECEMBER 2021

29. RELATED PARTY TRANSACTIONS *(Continued)*

(b) On 11 October 2017, the Group and Fineland Group Holdings, an intermediate holding company of the Company, entered into trademark license agreements (the "Trademark License Agreements"), pursuant to which Fineland Group Holdings agreed to grant to the Group an exclusive license to use certain trademarks registered by Fineland Group Holdings ("Licensed Trademarks") in Hong Kong and the PRC at nil consideration. The term of the Trademark License Agreements commences on the date thereof until the expiration date of the Licensed Trademarks.

(c) On 11 October 2017, the Group and Fineland Group Holdings entered into a master agency service agreement, pursuant to which the Group agreed to provide real estate agency services in the primary property market to members of the Fineland Group for a term commencing from the date thereof to 31 December 2019. On 26 September 2018, the Group and Fineland Group Holdings entered into a supplemental master agency service agreement that extended the contract terms to 31 December 2020. On 3 September 2020, the Group and Fineland Group Holdings entered into a renewal master agency agreement for a further term of three years commencing on 1 January 2021 to 31 December 2023.

(d) On 1 January 2020, the Group and Fineland Group Holdings entered into trademark license agreements (the "Trademark License Agreements"), pursuant to which certain companies of the Group are licensed to use certain trademarks owned by Fineland Group Holdings on a non-exclusive and royalty-free basis for the period from 1 January 2020 until the expiry of the trademarks.

(e) On 28 January 2021, the Group and Fineland Group Holdings entered into a master property management services agreement, pursuant to which the Group agreed to provide property management services to Fineland Group for a term commencing from the date thereof to 31 December 2023.

(f) On 28 January 2021, the Group and Guangdong Fineland Education Investment Limited ("Fineland Education") entered into a master property management services agreement, pursuant to which the Group agreed to provide property management services to Fineland Education and its subsidiaries for a term commencing from the date thereof to 31 December 2023.

(g) On 28 January 2021, the Group and Fineland Group Holdings entered into a master lease agreement, pursuant to which any Group company as tenant may continue, amend, renew the existing lease agreements or enter into new leases with Finelend Group for a term of three years commencing retrospectively from 1 January 2021 and ending on 31 December 2023.

(h) On 10 June 2021, the Group and Mr. Fong Ming, a director and the ultimate controlling shareholder of the Company, (for and on behalf of his associates (excluding the Group)) entered into a master IT services agreement, pursuant to which the Group agreed to provide IT services to the associates of Mr. Fong Ming (excluding the Group) for a term commencing from 15 July 2021 to 31 December 2023.

29. RELATED PARTY TRANSACTIONS *(Continued)*

(i) Compensation of key management personnel

Emoluments of key management personnel, who are executive directors of the Company, during the reporting period are set out in Note 11.

(j) Applicability of the Listing Rules relating to connected transactions

The figures disclosed above in relation to real estate agency services income, property management services income, value-add services income, other value-add services income, sale of goods, software service income and short-term leases expenses included RMB93,562,000, RMB8,206,000, RMB33,885,000, RMB529,000, RMB96,000, RMB5,567,000 and RMB5,274,000 respectively which also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are set out in the section headed "Related Party Transactions" in the Directors' Report.

30. CAPITAL MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total assets.

The gearing ratio as at the end of the reporting period was as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Total liabilities	**249,121**	77,857
Total assets	**454,171**	219,913
Gearing ratio	**55%**	35%

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk and currency risk.

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31. FINANCIAL RISK MANAGEMENT

(a) Credit risk

The Group's credit risk is primarily attributable to its trade receivables, deposits and other receivables, amounts due from fellow subsidiaries, related companies and non-controlling interests which are trade in nature and bank balances. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(i) Bank balances

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and reputable banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(ii) Trade receivables and amounts due from fellow subsidiaries, related companies and non-controlling interests which are trade in nature

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables. The Group measures the expected credit losses on a combination of both individual and collective basis.

The Group expects that the credit risk associated with amounts due from fellow subsidiaries, related companies and non-controlling interests to be low, since these companies have a strong financial capacity to meet their contractual cash flow obligations in the near term. The Group assessed that the impairment allowance was immaterial, and therefore no provision was made for the year.

Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision of impairment allowance. As at 31 December 2021, the balance of loss allowance in respect of these individually assessed receivables was RMB1,667,000 (2020: RMB1,652,000).

ECLs are estimated by grouping the remaining receivables based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward-looking information. The information about the Group's exposure to credit risk and ECLs for remaining receivables as at 31 December 2020 and 2021 is set out in the table below.

(iii) Deposits and other receivables

The Group makes periodic collective assessment as well as individual assessment on the recoverability of deposits and other receivables based on historical settlement records and past experience. During the year, the Group provided ECLs of other receivables of RMB130,000 (2020: RMB Nil) during the year.

31. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECLs. The Group considers available reasonable and supportive forward-looking information and especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of individual property owner or the debtor;
- significant increases in credit risk on other financial instruments of the individual property owner or the debtor; and
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the Group and changes in the operating results of the debtor.

As at 31 December 2021, loss allowance provision for trade receivables was determined as follows:

	Expected loss rate *%*	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*	Net carrying amount *RMB'000*
Assessed collectively				
Past due				
Within 3 months	1.94%	82,360	(1,597)	80,763
Within 4 to 12 months	4.22%	5,454	(230)	5,224
Within 1 to 2 years	8.46%	6,253	(529)	5,724
Within 2 to 3 years	29.59%	3,434	(1,016)	2,418
Over 3 years	100%	4,460	(4,460)	–
Assessed Individually				
Full expected loss	100%	1,667	(1,667)	–
Total		103,628	(9,499)	94,129

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FOR THE YEAR ENDED 31 DECEMBER 2021

31. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

As at 31 December 2020, loss allowance provision for trade receivables was determined as follows:

	Expected loss rate %	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*	Net carrying amount *RMB'000*
Assessed collectively				
Past due				
Within 3 months	0.03%	23,224	(7)	23,217
Within 4 to 12 months	0.31%	519	(2)	517
Assessed Individually				
Full expected loss	100%	1,652	(1,652)	–
Total		25,395	(1,661)	23,734

Movements in the loss allowance account in respect of trade receivables during the year are as follows:

	2021 ***RMB'000***	2020 *RMB'000*
As at 1 January	**1,661**	1,379
Impairment losses recognised during the year *(Note 17)*	**7,838**	282
As at 31 December	**9,499**	1,661

The increase in impairment loss allowance of approximately RMB7,838,000 is primarily due to increase in gross carrying amount of credit-impaired (assessed collectively) trade receivables.

Normally, the Group does not obtain collateral from customers.

As at 31 December 2020 and 2021, the Group has concentration of credit risk on amounts due from fellow subsidiaries and related companies as the debtors were group entities under the Fineland Group.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. The Group does not provide any other guarantee which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 17.

31. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. The Group maintains a reasonable level of cash and cash equivalents. The Group finances its working capital requirements mainly through funds generated from operations.

The following tables show the remaining contractual maturities of the Group's financial liabilities at the end of the reporting period, based on undiscounted cash flows (including interest payments computed using contractual rates or if floating, based on rates ruling at the end of the reporting period) and at the earliest date the Group can be required to pay.

	Carrying amount *RMB'000*	**Total contractual undiscounted cash flows** *RMB'000*	**Within 1 year or on demand** *RMB'000*	**More than 1 year but less than 2 years** *RMB'000*	**More than 2 years but less than 5 years** *RMB'000*
As at 31 December 2021					
Trade payables	**56,033**	**56,033**	**56,033**	**–**	**–**
Contingent consideration payable	**11,767**	**12,259**	**6,186**	**–**	**6,073**
Accruals and other payables	**103,808**	**103,808**	**103,808**	**–**	**–**
Lease liabilities	**3,988**	**4,300**	**1,322**	**1,225**	**1,753**
Amounts due to fellow subsidiaries	**5,296**	**5,296**	**5,296**	**–**	**–**
Amounts due to related companies	**329**	**329**	**329**	**–**	**–**
	181,221	**182,025**	**172,974**	**1,225**	**7,826**

	Carrying amount *RMB'000*	Total contractual undiscounted cash flows *RMB'000*	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*
As at 31 December 2020					
Trade payables	22,232	22,232	22,232	–	–
Accruals and other payables	15,821	15,821	15,821	–	–
Lease liabilities	7,114	7,688	2,956	2,250	2,482
	45,167	45,741	41,009	2,250	2,482

(c) Currency risk

Currency risk to the Group is minimal as most of the Group's transactions are carried out in the respective functional currencies of the group entities.

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31. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Fair value estimation

All financial instruments are carried at amounts not materially different from their fair values due to their short term nature.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

— Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

— Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

— Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
As at 31 December 2021				
Financial assets at FVTPL				
— Wealth management products	–	–	500	500
Financial liabilities at FVTPL				
— Contingent consideration payable	–	–	(11,767)	(11,767)

The fair values of wealth management products are categorised within Level 3 of the fair value hierarchy which is measured based on significant unobservable inputs and has been estimated by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair value of contingent consideration payable are categorised within Level 3 of the fair value hierarchy and is determined using probabilities at which each net profit target would be achieved.

There were no transfers between levels of the fair value hierarchy during the year.

31. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Fair value estimation *(Continued)*

Reconciliations for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

Financial assets at FVTPL	2021 *RMB'000*	2020 *RMB'000*
As at 1 January	–	–
Additions	500	–
Total gains or losses:		
— in profit or loss (included in other income and gains/(losses), net)	–	–
As at 31 December	500	–

Contingent consideration payable	2021 *RMB'000*	2020 *RMB'000*
As at 1 January	–	–
Acquisition of the subsidiaries *(Note 35(a))*	(11,650)	–
Total gains or losses:		
— in profit or loss (included in other income and gains/(losses), net)	(117)	-
As at 31 December	(11,767)	–

32. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised as at 31 December 2021 is categorised as follows:

	2021 *RMB'000*	2020 *RMB'000*
Financial assets:		
Financial assets at FVTPL	500	–
Financial assets measured at amortised cost	366,515	202,122
Financial liabilities:		
Financial liabilities at FVTPL	11,767	–
Financial liabilities measured at amortised cost	181,221	45,167

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2021, the Group had additions to right-of-use assets and lease liabilities of RMB5,324,000 (2020: RMB2,470,000) and RMB5,324,000 (2020: RMB2,470,000) respectively, in respect of lease arrangements for office and shop premises.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities *RMB'000*
At 1 January 2021	**7,114**
Changes from cash flows:	
Payment of principal portion of lease payments	**(2,198)**
Payment of interest portion of lease payments	**(261)**
Total changes from financing cash flows	**(2,459)**
Non-cash changes:	
New lease liabilities	**5,324**
Modification of leases *(Note 15)*	**(6,252)**
Interest expenses of lease liabilities	**261**
Total non-cash changes	**(667)**
At 31 December 2021	**3,988**

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities *(Continued)*

	Lease liabilities *RMB'000*
At 1 January 2020	13,859
Changes from cash flows:	
Payment of principal portion of lease payments	(3,698)
Payment of interest portion of lease payments	(433)
Total changes from financing cash flows	(4,131)
Non-cash changes:	
New lease liabilities	2,470
Modification of leases *(Note 15)*	(5,380)
COVID-19-related rent concessions *(Note 8)*	(137)
Interest expenses of lease liabilities	433
Total non-cash changes	(2,614)
At 31 December 2020	7,114

34. DEFINED BENEFIT RETIREMENT SCHEME

The employees of the Group in the PRC are members of state-managed defined benefit retirement schemes operated by the local governments in the PRC. The Group is required to contribute a specified percentage of the qualifying payroll costs to the defined benefit retirement schemes to fund the benefits. The only obligation of the Group with respect to the defined benefit retirement schemes is to make the specified contributions. There were no forfeited contributions under the defined benefit retirement schemes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

35. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of business

(i) On 15 October 2020, the Group entered into a share purchase agreement with Guangzhou Leguan Investment Co., Ltd., a company established under the laws of the PRC with limited liability which is a directly wholly-owned subsidiary of Guangdong Fineland Investment Limited and indirectly held as to approximately 99% by the common shareholder, Mr. Fong Ming, the Company's non-executive Director, and an independent third party (collectively the "Vendors") in relation to the acquisition of approximately 66.31% of the equity interests in Fineland E-Life (the "FE Acquisition") at a total consideration of RMB68,000,000 in cash. Fineland E-Life and its subsidiaries (collectively "Fineland E-Life Group") are principally engaged in the provision of professional property management services and value-added services for residential and commercial properties in the PRC. The FE Acquisition can further expand and diversify the Group's business portfolio and improve its profitability by entering into the property management industry in the PRC, as well as create synergies and enhance operational and management efficiencies of the Group. The Group obtained the control over Fineland E-Life on the date of completion of the FE Acquisition. The FE Acquisition was completed on 28 January 2021.

(ii) On 10 June 2021, the Group entered into a share purchase agreement with Guangdong Fineland Group Co., Ltd., a company established under the laws of the PRC with limited liability which is owned as to approximately 99% by the common shareholder, Mr. Fong Ming, the Company's non-executive Director, and an independent third party in relation to the acquisition of the entire equity interests in Fangheng Technology at a consideration of RMB4,500,000 in cash (the "FH Acquisition"). Fangheng Technology is principally engaged in the provision of development, supply and maintenance of information technology applications, websites and software, and related technology consultancy services. The FH Acquisition can combine the Group's professional expertise in property management services and allow the Group to provide high quality and sophisticated smart community services to customers. The Group obtained the control over Fangheng Technology on the date of completion of the FH Acquisition. The FH Acquisition was completed on 15 July 2021.

(iii) On 30 July 2021, the Group entered into a share purchase agreement with independent third parties in relation to the acquisition of 51% of the equity interests in Jichuang Community at a consideration of RMB255,000 in cash (the "JC Acquisition"). Jichuang Community is principally engaged in the provision of community services. The JC Acquisition can allow the Group to provide high quality community services to customers. The Group obtained the control over Jichuang Community on the date of completion of the JC Acquisition. The JC Acquisition was completed on 31 August 2021.

35. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) Acquisition of business *(Continued)*

(iv) On 30 July 2021, the Group entered into a share purchase agreement with independent third parties in relation to the acquisition of 51% of the equity interests in Ji Yang Hong (the "JYH Acquisition") at a cash consideration of RMB12,373,000 and contingent consideration up to RMB11,650,000 in aggregate. The contingent consideration will be paid by instalments. The Group has right to adjust the consideration if conditions precedent, mainly net profit target for the years ended 31 December 2021, 2022 and 2023, are not fulfilled. As at 31 December 2021, there was no payment of contingent consideration. As set out in the share purchase agreement, the performance target of net profit is at least RMB3,728,800, RMB3,952,500 and RMB4,189,600 for the years ended 31 December 2021, 2022 and 2023 respectively. Ji Yang Hong is principally engaged in the provision of comprehensive property management services in Liuyang, Changsha, Hunan Province of the PRC. The JYH Acquisition can allow the Group to further expand its property management portfolio in Changsha, Hunan Province market. The Group obtained the control over Ji Yang Hong on the date of completion of the JYH Acquisition. The JYH Acquisition was completed on 31 August 2021.

The fair value of the contingent consideration payable as at 31 August 2021 was determined based on a valuation performed by an independent valuer applying probability weighted scenario analysis at a discount rate of 3%. According to the valuation results, the balance of the consideration of RMB6,065,000 and RMB5,585,000 is expected to be paid in 2022 and 2024 respectively.

(v) These acquisitions have been accounted for as acquisition of business using the acquisition method.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	Fineland E-Life *RMB'000*	Fangheng Technology *RMB'000*	Jichuang Community *RMB'000*	Ji Yang Hong *RMB'000*	Total *RMB'000*
Purchase consideration					
Cash paid	68,000	4,500	255	12,373	85,128
Contingent consideration	–	–	–	11,650	11,650
	68,000	4,500	255	24,023	96,778

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

35. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) Acquisition of business *(Continued)*

(v) *(Continued)*

	Fineland E-Life RMB'000	Fangheng Technology RMB'000	Jichuang Community RMB'000	Ji Yang Hong RMB'000	Total RMB'000
Recognised amounts of identifiable assets acquired and liabilities assumed					
Property, plant and equipment *(Note 15)*	3,353	3,446	6	2,988	9,793
Other intangible assets *(Note 27)*	32,000	1,459	–	–	33,459
Deferred tax assets *(Note 12(c))*	1,556	–	–	–	1,556
Inventories	129	–	4	–	133
Trade receivables	26,394	–	380	2,063	28,837
Amounts due from fellow subsidiaries	47,474	2,327	–	–	49,801
Amount due from a related company	4,564	–	–	–	4,564
Amount due from a non-controlling interest	14,250	–	–	–	14,250
Prepayments, deposits and other receivables	7,780	1,853	32	1,161	10,826
Cash at banks and in hand	69,795	16	68	5,706	75,585
Trade payables	(15,888)	(28)	(11)	(284)	(16,211)
Amounts due to fellow subsidiaries	(165)	(5,878)	–	–	(6,043)
Accruals and other payables	(64,572)	(2,534)	(23)	(5,635)	(72,764)
Contract liabilities	(19,758)	–	(315)	(727)	(20,800)
Tax payable	(1,652)	–	–	(451)	(2,103)
Deferred tax liabilities *(Note 12(c))*	(8,000)	(219)	–	–	(8,219)
Total identifiable net assets	97,260	442	141	4,821	102,664
Less: Non-controlling interests	(34,788)	–	(69)	(2,362)	(37,219)
Net assets acquired	62,472	442	72	2,459	65,445
Goodwill *(Note 26)*	5,528	4,058	183	21,564	31,333

35. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) Acquisition of business *(Continued)*

(v) *(Continued)*

	Fineland E-Life *RMB'000*	Fangheng Technology *RMB'000*	Jichuang Community *RMB'000*	Ji Yang Hong *RMB'000*	Total *RMB'000*
Net cash inflow/ (outflow) arising from the acquisitions					
Cash consideration paid	(68,000)	(4,500)	(255)	(12,373)	(85,128)
Cash at banks and in hand acquired	69,795	16	68	5,706	75,585
Net cash inflow/(outflow) on acquisition	1,795	(4,484)	(187)	(6,667)	(9,543)

Acquisition-related costs of RMB4,022,000 have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2021.

The trade receivables, other receivables, amounts due from fellow subsidiaries, a related company and a non-controlling interest acquired with a fair value of RMB104,798,000 as at the date of acquisitions had gross contractual amounts of RMB108,580,000. The best estimate at acquisition date of contractual cash flows not expected to be collected amounted to RMB3,782,000.

The fair value of other intangible assets acquired in business combination is estimated by an independent valuer using income approach. This approach estimates the future economic benefits and costs attributed to the customer relationship and the backlog of the acquirees. The key assumptions in determining the fair value of customer relationship and backlog included revenue growth rate, profit margin and discount rate.

The non-controlling interests arising from the acquisition of respective subsidiaries were measured by reference to the proportionate share of the acquirees' net assets at the acquisition dates.

Goodwill arose on the acquisition of subsidiaries because of the expected future development of acquirees' business, improvement on market coverage, enriching the service portfolio, integrating value-added services, and improvement on management efficiency, etc.. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

35. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) Acquisition of business *(Continued)*

Impact of acquisition on the results of the Group

Since the acquisition dates, Fineland E-Life, Fangheng Technology, Jichuang Community and Ji Yang Hong in aggregate have contributed RMB309,325,000 and RMB19,148,000 to the Group's revenue and profit for the year. If the acquisition had occurred on 1 January 2021, the Group's revenue and profit would have been RMB613,273,000 and RMB32,412,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future performance.

(b) Acquisition of a subsidiary under asset acquisition

On 8 July 2021, the Group entered into a share purchase agreement with an independent third party in relation to the acquisition of 51% of the equity interests in Huizhou Zhongkai High-tech Zone Jinbao Security Services Co., Ltd. ("Jinbao Security") at a consideration of RMB530,000 in cash (the "JB Acquisition"). Jinbao Security is principally engaged in the provision of security services. The JB Acquisition was completed on 31 July 2021. The directors of the Company are of the opinion that the JB acquisition does not constitute business combination as defined in HKFRS 3, and accordingly, the acquisition has been accounted for as asset acquisition. At the acquisition date, Jinbao Security has total net liabilities of RMB10,000 and a debit balance of non-controlling interests of RMB4,000. The Group recognised a loss from acquisition of assets of RMB536,000 in other losses for the year ended 31 December 2021 (Note 8).

An analysis of the cash flows in respect of the JB Acquisition is as follows:

	RMB'000
Cash consideration paid	(530)
Cash at banks and in hand acquired	21
Net cash outflow	(509)

36. NON-CONTROLLING INTERESTS

Particulars of material non-controlling interests ("NCI") are as follows:

Name of subsidiary	Ownership interests held by non-controlling interests 2021	2020
Fineland E-Life	**33.69%**	–
Ji Yang Hong	**49%**	–

The NCI of all other subsidiaries that are not 100% owned by the Group are considered to be immaterial.

Summarised financial information in relation to the material NCI, before intra-group eliminations, is presented below:

(a) Fineland E-Life

	2021 *RMB'000*
For the period ended 31 December 2021	
Revenue	**295,458**
Profit for the period	**18,616**
Total comprehensive income	**18,616**
Profit allocated to NCI	**7,954**
Dividends paid to NCI	**1,000**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

36. NON-CONTROLLING INTERESTS *(Continued)*

(a) Fineland E-Life *(Continued)*

	2021 *RMB'000*
As at 31 December 2021	
Current assets	232,036
Non-current assets	37,491
Current liabilities	146,623
Non-current liabilities	7,544
Net assets	115,360
Accumulated NCI	42,225

(b) Ji Yang Hong

	2021 *RMB'000*
For the period ended 31 December 2021	
Revenue	8,977
Profit for the period	1,143
Total comprehensive income	1,143
Profit allocated to NCI	560
Dividends paid to NCI	–

	2021 *RMB'000*
As at 31 December 2021	
Current assets	14,200
Non-current assets	2,883
Current liabilities	11,120
Non-current liabilities	–
Net assets	5,963
Accumulated NCI	2,922

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2021 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment and type of legal entity	Place of operations	Authorised/ registered capital	Issued and fully paid capital/paid in capital	Proportion of equity interest held by the Group 2021	2020	Principal activities
Directly held:							
Fineland Property Services Holdings Limited	The BVI 16 February 2017 Limited liability company	The PRC	50,000 shares of US$50,000	200 shares of US$200	100%	100%	Investment holding
Indirectly held:							
Fineland Real Estate Services Limited	Hong Kong 16 June 2016 Limited liability company	The PRC	10 shares of HK$10	10 shares of HK$10	100%	100%	Investment holding
Guangzhou Fineland Living Services Limited* 廣州方圓生活服務有限公司	The PRC 17 March 1997 Limited liability company	The PRC	HK$60,000,000	HK$60,000,000	100%	100%	Provision of real estate consultation, agency, market analysis and marketing services
Guangzhou Fang Yuan Bao Network and Technology Limited* 廣州房緣寶網絡科技有限公司	The PRC 17 June 2015 Limited liability company	The PRC	RMB5,000,000	RMB1,000,000	100%	100%	Provision of online property referral and agency services
Guangzhou Hai Yuan Bao Investment Consultancy Limited* 廣州海緣寶投資諮詢有限公司	The PRC 13 May 2016 Limited liability company	The PRC	RMB300,000	RMB300,000	100%	100%	Provision of property agency services
Guangzhou Fang Qin Real Estate Agency Limited* 廣州方勤房地產代理有限公司	The PRC 30 May 2018 Limited liability company	The PRC	RMB1,000,000	RMB1,000,000	100%	100%	Provision of property agency services
Guangzhou Fang Ying Real Estate Agency Limited* 廣州方贏房地產代理有限公司	The PRC 31 May 2018 Limited liability company	The PRC	RMB1,000,000	RMB1,000,000	100%	100%	Investment holding
Guangzhou Cheng Hui Property Consultancy Limited* 廣州誠滙地產顧問有限公司	The PRC 25 October 2018 Limited liability company	The PRC	RMB1,000,000	RMB600,000	51%	51%	Provision of property agency services
Guangzhou Fanghong Property Agency Limited* 廣州方弘房地產代理有限公司	The PRC 30 April 2020 Limited liability company	The PRC	RMB1,000,000	RMB1,000,000	100%	100%	Provision of property agency services
Guangzhou Fangrun Life Service Co., Ltd* 廣州方潤生活服務有限公司	The PRC 6 May 2020 Limited liability company	The PRC	RMB1,000,000	RMB1,000,000	100%	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment and type of legal entity	Place of operations	Authorised/ registered capital	Issued and fully paid capital/paid in capital	Proportion of equity interest held by the Group 2021	2020	Principal activities
Guangzhou Fangyuan Asset Management Real Estate Agency Co., Ltd.* 廣州方圓資管房地產代理有限公司	The PRC 20 April 2021 Limited liability company	The PRC	RMB1,000,000	RMB1,000,000	100%	–	Provision of property agency services
Guangzhou Fangyuan Real Estate Agency Co., Ltd.* 廣州方圓房服房地產代理有限公司	The PRC 22 April 2021 Limited liability company	The PRC	RMB1,000,000	RMB1,000,000	100%	–	Provision of property agency services
Guangzhou Fineland E-Life Service Co., Ltd 廣州方圓現代生活服務股份有限公司	The PRC 8 November 1996 Limited liability company	The PRC	RMB45,000,000	RMB45,000,000	66%	–	Provision of professional property management services and value-added services
Changsha Ji Yang Hong Property Management Co., Ltd* 長沙市霽陽紅物業管理有限公司	The PRC 24 April 2014 Limited liability company	The PRC	RMB3,000,000	RMB3,000,000	51%	–	Provision of property management services
Liuyang Jichuang Community Service Co., Ltd* 瀏陽市霽創社區服務有限公司	The PRC 21 June 2019 Limited liability company	The PRC	RMB500,000	RMB100,000	51%	–	Provision of community value-added services
Guangzhou Fangheng Information Technology Co., Ltd* 廣州方恒資訊技術有限公司	The PRC 21 December 2016 Limited liability company	The PRC	RMB2,000,000	RMB1,600,000	100%	–	Provision of computer system services
Huizhou Zhongkai High-tech Zone Jinbao Security Services Co., Ltd* 惠州仲愷高新區金豹保安服務有限公司	The PRC 11 August 2016 Limited liability company	The PRC	RMB1,000,000	RMB1,000,000	66%	–	Provision of security services
Guangzhou Weiyao Business Service Co., Ltd.* 廣州微耀商務服務有限公司	The PRC 16 December 2008 Limited liability company	The PRC	RMB500,000	RMB500,000	66%	–	Provision of community value-added services
Guangzhou Fangyuan Huayue Property Service Management Co., Ltd* 廣州方圓華悅物業服務管理有限公司	The PRC 4 March 2020 Limited liability company	The PRC	RMB1,000,000	RMB1,000,000	66%	–	Provision of property management services
Guangzhou Fangyuan Pengyue Property Service Co., Ltd.* 廣州方圓鵬悅物業服務有限公司	The PRC 18 January 2021 Limited liability company	The PRC	RMB1,000,000	RMB400,000	66%	–	Provision of property management services
Guangzhou Youhao Property Management Co., Ltd.* 廣州有好物業管理有限公司	The PRC 24 June 2009 Limited liability company	The PRC	RMB3,000,000	RMB3,000,000	66%	–	Provision of property management services

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment and type of legal entity	Place of operations	Authorised/ registered capital	Issued and fully paid capital/paid in capital	Proportion of equity interest held by the Group 2021	2020	Principal activities
Guangzhou Quanyi Property Management Co., Ltd.* 廣州全意物業管理有限公司	The PRC 9 June 2009 Limited liability company	The PRC	RMB500,000	RMB500,000	66%	–	Provision of property management services
Guangzhou Fangyuan Commercial Property Management Co., Ltd* 廣州方圓商業物業管理有限公司	The PRC 23 December 2011 Limited liability company	The PRC	RMB500,000	RMB500,000	66%	–	Provision of property management services
Guangzhou One Time Fangyuan Property Service Co., Ltd.* 廣州壹時光方圓物業服務有限公司	The PRC 12 November 2020 Limited liability company	The PRC	RMB500,000	RMB20,000	66%	–	Provision of property management services
Zhuhai Fangyuan Property Management Co., Ltd* 珠海市方圓物業管理有限公司	The PRC 1 April 2008 Limited liability company	The PRC	RMB1,000,000	RMB1,000,000	66%	–	Provision of property management services
Luoding Fangxian Property Service Co., Ltd* 羅定市方現物業服務有限公司	The PRC 14 October 2019 Limited liability company	The PRC	RMB1,000,000	RMB300,000	66%	–	Provision of property management services
Yunan Fangxian Property Management Co., Ltd. * 郁南縣方現物業管理有限公司	The PRC 31 October 2019 Limited liability company	The PRC	RMB1,000,000	RMB180,000	66%	–	Provision of property management services
Huaiji Fangyuan Property Service Co., Ltd* 懷集縣方圓物業服務有限公司	The PRC 10 April 2018 Limited liability company	The PRC	RMB2,000,000	RMB810,000	66%	–	Provision of property management services
Zhuhai Fangyuan Modern Technology Investment Co., Ltd.* 珠海方圓現代科技投資有限公司	The PRC 21 October 2016 Limited liability company	The PRC	RMB10,000,000	RMB1,000,000	66%	–	Provision of property management services
Wenchang Fangxian Property Service Co., Ltd.* 文昌市方現物業服務有限公司	The PRC 5 November 2020 Limited liability company	The PRC	RMB500,000	RMB100,000	66%	–	Provision of property management services
Jiangmen Fangyuan Hengjun Property Service Co., Ltd.* 江門方圓恒駿物業服務有限公司	The PRC 13 June 2018 Limited liability company	The PRC	RMB2,000,000	RMBNil	66%	–	Provision of property management services
Suzhou Weiren Business Service Co., Ltd* 蘇州微仁商務服務有限公司	The PRC 30 April 2021 Limited liability company	The PRC	RMB500,000	RMB10,000	66%	–	Provision of community value-added services
Guangzhou Weixiang Business Service Co., Ltd.* 廣州微享商務服務有限公司	The PRC 29 July 2019 Limited liability company	The PRC	RMB500,000	RMBNil	66%	–	Provision of community value-added services

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment and type of legal entity	Place of operations	Authorised/ registered capital	Issued and fully paid capital/paid in capital	Proportion of equity interest held by the Group 2021	2020	Principal activities
Guangzhou Weiyu Business Service Co., Ltd* 廣州微譽商務服務有限公司	The PRC 25 July 2019 Limited liability company	The PRC	RMB500,000	RMB70,000	66%	–	Provision of community value-added services
Guangzhou Nansha Fangyuan Property Service Co., Ltd* 廣州南沙方圓物業服務有限公司	The PRC 12 May 2020 Limited liability company	The PRC	RMB500,000	RMB500,000	66%	–	Provision of property management services
Guangzhou Nansha Fangyuan Leju Property Service Co., Ltd.* 廣州南沙方圓樂居物業服務有限公司	The PRC 26 October 2020 Limited liability company	The PRC	RMB500,000	RMB400,000	66%	–	Provision of property management services
Meizhou Fangxian Property Service Co., Ltd.* 梅州市方現物業服務有限公司	The PRC 16 June 2020 Limited liability company	The PRC	RMB500,000	RMB240,000	66%	–	Provision of property management services
Zhongshan Fangyuan Property Management Co., Ltd* 鐘山縣方圓物業管理有限公司	The PRC 30 April 2019 Limited liability company	The PRC	RMB1,000,000	RMB270,000	66%	–	Provision of property management services
Heshan Fangyuan Property Service Co., Ltd.* 鶴山市方圓物業服務有限公司	The PRC 12 January 2021 Limited liability company	The PRC	RMB500,000	RMB190,000	66%	–	Provision of property management services
Huizhou Fangxian Jiahe Property Service Co., Ltd.* 惠州方現嘉合物業服務有限公司	The PRC 22 June 2021 Limited liability company	The PRC	RMB500,000	RMB200,000	66%	–	Provision of property management services
Guangzhou Fangyuan Dazhengchang Property Service Co., Ltd.* 廣州方圓大征場物業服務有限公司	The PRC 20 May 2021 Limited liability company	The PRC	RMB500,000	RMBNil	66%	–	Provision of property management services
Guangzhou Nansha Fangxian Property Service Co., Ltd.* 廣州南沙方現物業服務有限公司	The PRC 6 August 2021 Limited liability company	The PRC	RMB500,000	RMBNil	66%	–	Provision of property management services

* The English translated names are for identification purposes only.

None of the subsidiaries had issued any debt securities at the end of the reporting period.

The above table lists the subsidiaries of the Company, which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. All these subsidiaries operate in the PRC. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries 2021	2020
Investment holding	The PRC	**1**	0
Inactive	The PRC	**12**	0

38. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	2021 *RMB'000*	2020 *RMB'000*
Non-current asset		
Interests in subsidiaries	**14,340**	20,648
Current asset		
Bank balances and cash	**27**	158
Current liabilities		
Accruals and other payables	**1,655**	1,074
Amounts due to subsidiaries	**13,431**	7,082
Total current liabilities	**15,086**	8,156
Net current liabilities	**(15,059)**	(7,998)
Total assets less current liabilities	**(719)**	12,650
Net assets	**(719)**	12,650
Capital and reserves		
Share capital	**3,403**	3,403
Reserves *(Note)*	**(4,122)**	9,247
Total equity	**(719)**	12,650

Approved and authorised for issue by the board of directors on 30 March 2022.

Rong Haiming *Executive Director*	**Yi Ruofeng** *Executive Director*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

38. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION *(Continued)*

Note:

Reserves of the Company

	Share premium *RMB'000*	Capital reserve *RMB'000*	Exchange reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
As at 1 January 2020	51,677	922	2,172	(32,934)	21,837
Loss for the year	–	–	–	(11,841)	(11,841)
Other comprehensive income					
Exchange differences on translation to presentation currency	–	–	(749)	–	(749)
Total comprehensive income for the year	–	–	(749)	(11,841)	(12,590)
As at 31 December 2020 and 1 January 2021	51,677	922	1,423	(44,775)	9,247
Loss for the year	–	–	–	(9,714)	(9,714)
Dividends approved in respect of the previous year *(Note 13)*	–	–	–	(3,361)	(3,361)
Other comprehensive income					
Exchange differences on translation to presentation currency	–	–	(294)	–	(294)
Total comprehensive income for the year	–	–	(294)	(13,075)	(13,369)
As at 31 December 2021	51,677	922	1,129	(57,850)	(4,122)

39. SHARE OPTION SCHEME

Pursuant to the resolution passed by the shareholders of the Company on 23 October 2017, the adoption of the share option scheme of the Company (the "Scheme") was approved to enable the Company to grant share options to eligible persons as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees. Eligible participants of the Scheme include any director or employee (whether full time or part time), consultant or adviser of the Group who in the sole discretion of the directors has contributed to and/or will contribute to the Group.

The Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the Scheme on 23 October 2017. The exercise price for any share under the Scheme shall be a price determined by the directors and notified to each grantee and shall be not less than the highest of (i) the closing price of a share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be a business day; (ii) an amount equivalent to the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant option and (iii) the nominal value of a share on the date of grant.

39. SHARE OPTION SCHEME *(Continued)*

The maximum aggregate number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 10% of the total number of shares in issue from time to time. No share options may be granted under the Scheme and any other share option schemes of the Company if this will result in such limit being exceeded.

There is no general requirement on the minimum period for which a share option must be held or the performance targets which must be achieved before a share option can be exercised under the terms of the Scheme. However, at the time of granting any share option, the directors may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the share options to be held and/or the performance targets to be achieved as the directors may determine in its absolute discretion.

During the years ended 31 December 2020 and 2021, there were no share options granted, exercised, cancelled or lapsed under the Scheme.

40. NON-ADJUSTING EVENT AFTER THE REPORTING DATE

On 25 October 2021, the Group entered into a share purchase agreement with Shanghai Lvbaoyuan Business Management Partnership (Limited Partnership), a limited partnership established under the laws of PRC, ultimately owned by two unrelated parties to acquire 60% equity interests in Guangdong Yikang Property Service Co., Ltd ("Yikang") (the "Acquisition"). The Acquisition was completed on 9 February 2022 (the "Completion Date"). Upon completion, Yikang became an indirectly non-wholly owned subsidiary of the Company and its financial results after the Completion Date will be consolidated into the Group's consolidated financial statements.

Yikang is a property management services provider based in Dongguan, Guangdong Province of the PRC. The Acquisition can further expand the Group's property management portfolio in the Greater Bay Area market in the PRC.

Up to the date when the Group's consolidated financial statements are authorised for issue, the preparation of management accounts of Yikang at the Completion Date was not yet completed and valuation of the Acquisition was still in progress. Accordingly, the fair value of the acquired assets and liabilities and the provisional goodwill arising on the Acquisition cannot be determined.

Further details of the Acquisition are set out in the Company's announcements dated 25 October 2021 and 9 February 2022.

FIVE YEARS FINANCIAL SUMMARY

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Results					
Revenue	**571,408**	276,725	256,275	228,903	166,360
Profit/(loss) before income tax	**31,293**	21,992	32,350	41,396	(1,622)
Income tax	**(2,028)**	(10,317)	(9,933)	(11,280)	(5,023)
Profit/(loss) for the year	**29,265**	11,675	22,417	30,116	(6,645)

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets and liabilities					
Total assets	**454,171**	219,913	210,398	178,920	130,857
Total liabilities	**(249,121)**	(77,857)	(81,803)	(72,635)	(51,498)
Net assets	**205,050**	142,056	128,595	106,285	79,359

Note:

The summary above does not form part of the audited consolidated financial statements.