方圆生活服务
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
2022

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. HAN Shuguang *(Chairman)*
Ms. RONG Haiming *(Chief executive officer)*
Mr. YI Ruofeng
Ms. TSE Lai Wa

Non-executive Director

Mr. FONG Ming

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)*
Mr. LIAO Junping
Mr. TIAN Qiusheng

Authorised representatives

Mr. TSO Ping Cheong, Brian
Mr. YI Ruofeng

Legal advisers

As to Hong Kong Laws
Hogan Lovells

Auditor

BDO Limited
Registered Public Interest Entity Auditor

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

Adhering to the principle that housing is for living in and not for speculation, China established long-term mechanisms in the real estate market. The country endeavors to keep land costs, housing prices and market expectations stable, and adopted city-specific measures to facilitate the sound development of the real estate sector. In November 2022, the People's Bank of China and the China Banking and Insurance Regulatory Commission jointly announced 16 measures to ensure the sustainable development of the housing sector, and to urge financial institutions to support real estate financing. Focus of supporting policies have shifted from ensuring timely delivery of real estate projects to protecting market entities, which was expected to help mitigate the liquidity risk of real estate developers.

In March 2023, the Chinese government set a target of 5 percent GDP growth for the year. Given the pressure of weakening external demand, recovery in consumption and rebound in real estate are expected to be the main drivers of China's economic growth this year. Recent policies are expected to be helpful in boosting homebuyer confidence and help releasing reasonable housing demand. 2023 is expected to see no significant decline in the property market but rather a partial recovery.

Notwithstanding the increasingly support of financial policy, and the easing of administrative control measures, the real estate industry faced severe downward pressure as affected by the sporadic recurring COVID-19 pandemic. In 2022, property investment reached RMB13.3 trillion, a year-on-year decrease by 10.0%. The sales area of commercial housing was 1,358.4 million sq. m., representing a year-on-year decrease of 24.3%, in which the sales area of residential buildings decreased by 26.8%. The sales volume of commercial housing was RMB13.3 trillion, representing a year-on-year decrease of 26.7%, in which residential sales decreased by 28.3%.

In 2022, the Group's total revenue was approximately RMB511.9 million for the year ended 31 December 2022, representing a decrease of approximately 10.4%, from RMB571.4 million for the year ended 31 December 2021. This was mainly due to sharp decline of RMB155.1 million in real estate agency services segment to RMB108.7 million for the year ended 31 December 2022, which was partially offset by the increase in revenue of RMB95.7 million in the property management services segment.

Expansion of property management services

The Group endeavors to improve its geographic coverage, market share and business portfolios, through acquisition, open market tender, bidding, and direct appointment.

During 2022, the Group completed the acquisition of 51% equity interests in Guangdong Juncheng Fangyuan Property Service Co., Ltd.* (廣東筠城方圓物業服務有限公司) ("**Juncheng**"), which expanded the services into Yunfu city market, and added city services to the existing service line. The Group also completed 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 the services into Dongguan and Meizhou markets, and increased the Group's market share in Guangdong province together with the acquisition of Juncheng, and added over 2 million sq.m. into the Group's contracted GFA.

The Group formulated guidelines to help the newly acquired entities' smoothly transit into the Group. The Group also implemented regulations and general process standards to be followed in daily operation, and organized trainings programs for efficient information flow, and designated specially-assigned person to supervise and run down timely checks to ensure the implementation.

CHAIRMAN'S STATEMENT

Flexible Allocation of Group Resources

The Group has strategically shifted resources from the real estate agency services to the expansion and development of property management services and improving management efficiency. This was implemented in part by shutting down most agency sales outlets, exhaustive project valuation and projection before further involvement, and critical review on the existing projects before extension of service period. Moreover, with extensive analysis on customer demand and market trend, the Group further leveraged the advantages in its existing service lines, to provide suitable services to property owners and property developers, thus creating more value for all stakeholders involved.

The Group reviewed the management structure and made strategic adjustment, in turn the management model has been optimized to promote operational efficiency and quick response to market change. The Group also reviewed and modified regulations and standards of processing specific work, and organized follow-up training to efficiently educate the relevant front line employees. The Group has also established a quality supervision system, built a team across all functions, made irregular random on-site check, and followed up timely rectification of misconduct and violations to the Company's protocols.

Continuous Improvement of Brand Value and Influence

Since the name change of the Company to "Fineland Living Services Group Limited", with the acquisitions made in 2021, the Company's brand presence extended to Changsha market and more cities in Guangdong province. The Group believed that quality and reputation are the foundation of success. In 2022, the Group took great efforts in quality control, and made regular on-site quality inspections to improve service quality. The Company was highly recognized by the industry. In 2022, the Company was granted with the following awards.

1. 2022 China Top 6 Real Estate Agencies
2. 2022 China Top 25 Property Service Enterprises
3. 2022 China Leading Project of Property Service — "蘇州雲山詩意"
4. 2022 The Greater Bay Area Leading Brand of Property Services
5. 2022 Enterprises with Comprehensive Development Strength in Property Services (China Guangdong)
6. Anti-epidemic Pioneer Enterprise (China Guangdong)

Looking ahead, 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 2023

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 RMB511.9 million for the year ended 31 December 2022, representing a decrease of approximately 10.4%, from RMB571.4 million in the corresponding period of 2021, which was mainly due to the decline in revenue generated from real estate agency services.

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 RMB108.7 million for the year ended 31 December 2022, representing a sharp decrease of 58.8% from RMB263.9 million for the corresponding period in 2021.

In 2022, stakeholders' lack of confidence was evident in the real estate market, home buyers were more cautious at all times, real estate enterprises continued to face liquidity risk, supply was still in a downward trend, and the real estate industry went into a deep adjustment session. The sales area of commercial housing in Guangdong shrunk to 106.0 million sq.m., representing a year-on-year decrease of 24.4%, which was a record-low in the last eight years. The sales volume in commercial housing was RMB1.59 trillion, representing a year-on-year decrease by 28.9%. The prevailing market condition finally caught up with the Company, pushing down performance results of real estate agency services both online and offline downhill.

Professional property management services segment

Property management services segment consists 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 RMB403.2 million for the year ended 31 December 2022, representing an increase of 31.1%, from RMB307.6 million for the year ended 31 December 2021, which is mainly due to the acquisitions of Ji Yang Hong, Yikang and Juncheng.

Property management services

Property management services are mainly for real estate 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 city facilities, office buildings, industry parks, schools, etc. Revenue recorded for property management services was approximately RMB303.7 million for year ended 31 December 2022, representing an increase of 47.0% from RMB206.6 million for the year ended 31 December 2021.

Contracted gross floor areas ("**GFA**") as of 31 December 2022 was approximately 19.2 million square meters, representing an increase of 19.3% compared with approximately 16.1 million square meters as of 31 December 2021, and GFA under management was approximately 13.8 million square meters, an increase of 26.6% compared with approximately 10.9 million square meters as of 31 December 2021, which is mainly due to the acquisitions of Juncheng and Yikang.

Value-added services to non-property owners

Value-added services are mainly for real estate developers. Services include cleaning, security and maintenance services for pre-sale display units and sales offices, etc. Revenue recorded for value-added services was approximately RMB42.5 million for year ended 31 December 2022, representing a decrease of 11.7% from RMB48.2 million for the year ended 31 December 2021. This is mainly due to the financing difficulties the real estate developers faced throughout 2022, and their capability to develop, launch and deliver new projects.

Community value-added services

Community value-added services 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 RMB54.6 million for year ended 31 December 2022, representing an increase of 17.5% from RMB46.4 million for year ended 31 December 2021. This is mainly due to the acquisitions of Juncheng and Yikang.

Software services

Software services include the provision of development, supply and maintenance of information technology applications. Revenue recorded for software services was approximately RMB2.4 million for the year ended 31 December 2022, compared with RMB6.3 million (software services is a new business line after July 2021) for the year ended 31 December 2021. Fangheng Technology was disposed to a connected person in April 2022 due to strategic adjustment, after which there was no revenue generated from software services. The disposal was classified as a de minimis transaction under Chapters 14 and 14A of the Listing Rules. Please refer to note 40 to the financial statements for further information.

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2022 was approximately RMB511.9 million, representing a decrease of approximately 10.4% as compared to RMB571.4 million for the year ended 31 December 2021. Such decrease was primarily attributable to the decrease in revenue generated from real estate agency services segment of approximately RMB155.1 million which was partially offset by the increase of approximately RMB95.7 million recorded for property management services segment.

Cost of services

For the year ended 31 December 2022, the cost of services of the Group amounted to approximately RMB409.7 million, representing a decrease of approximately 5.3% as compared to RMB432.8 million for the year ended 31 December 2021. The decrease was mainly due to the decrease of cost in real estate agency services segment.

Selling and marketing expenses

For the year ended 31 December 2022, the selling and marketing expenses of the Group were approximately RMB1.2 million, representing a sharp decrease of approximately 80.5% as compared to approximately RMB6.1 million for the year ended 31 December 2021, which was mainly due to the strategic decision of cost control facing difficulties in market conditions and the sporadic recurring epidemic.

Administrative expenses

For the year ended 31 December 2022, the administrative expenses of the Group were approximately RMB71.3 million, representing a decrease of approximately 28.0% as compared to approximately RMB99.0 million for the year ended 31 December 2021. Such decrease was primarily due to the Company's effective cost control measures.

MANAGEMENT DISCUSSION AND ANALYSIS

Net Profit Margin

The net profit margin increased to 6.2% for the year ended 31 December 2022 as compared to 5.1% for the year ended 31 December 2021. This increase was mainly due to the decrease in administrative expenses.

Profit for the Period

As a result of the factors discussed above, the Group made a profit for the year ended 31 December 2022 of approximately RMB31.7 million, compared to approximately RMB29.3 million for the year ended 31 December 2021.

Liquidity and Financial Resources

In 2022 and 2021, the Group's main source of funds has been cash generated from operating activities.

As at 31 December 2022, the Group had net current assets of approximately RMB158.3 million (as at 31 December 2021: approximately RMB143.0 million), total assets of approximately RMB573.8 million (as at 31 December 2021: approximately RMB454.2 million) and shareholders' funds of approximately RMB173.2 million (as at 31 December 2021: approximately RMB158.8 million).

As at 31 December 2022, the total bank balances and cash (restricted bank balances: approximately RMB1.2 million) of the Group amounted to approximately RMB118.8 million (as at 31 December 2021: approximately RMB90.3 million).

Indebtedness

As at 31 December 2022, the Group had short-term bank borrowings of RMB35.7 million (as at 31 December 2021: Nil), which is principally to finance daily operation and general working capital, but has no long term borrowings (as at 31 December 2021: Nil). Please refer to note 29 to the financial statements for details.

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 considers that its exposure to interest rate risk is insignificant in the absence of interest-bearing financial liabilities with contractual period exceeding one year.

Gearing Ratio

The gearing ratio (calculated as total liabilities divided by total assets) was 59% as at 31 December 2022, as compared to 55% as at 31 December 2021.

Employees and the Group's remuneration policy

As at 31 December 2022, the Group had a total of 2,004 staff (2021: 2,071 staff).

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

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

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 disposal of subsidiaries, associates and joint ventures

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 by cash payable by installments. The consideration is subject to adjustments depending on whether the net profit targets of Ji Yang Hong for each of the three years ending 2023 could be met. The audited net profit of Ji Yang Hong for the year ended 31 December 2022 was approximately RMB4.7 million, which exceeded the net profit target for the year ended 31 December 2022. Accordingly, the performance target for the year ended 31 December 2022 was met.

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 Guangdong Yikang Property Service Co., Ltd.* (廣東益康物業服務有限公司) ("**Yikang**") by cash payable by instalments (the "**Yikang Consideration**") (the "**Yikang Acquisition**"). The consideration is subject to adjustments depending on whether the net profit targets of Yikang for each of the three years ending 31 December 2023 could be met respectively. Upon completion which took place in February 2022, Yikang became an indirectly non-wholly owned subsidiary of the Company and its financial results were thereafter consolidated into the Group's consolidated financial statements. Please refer to the announcements of the Company dated 25 October 2021 and 9 February 2022, and note 36(a)(i) to the financial statements for further information.

The actual profits of Yikang for the two years ended 31 December 2022 was approximately RMB3.6 million and RMB5.0 million, respectively, falling short of the said profit guarantees for the same periods by approximately RMB1.4 million and RMB0.6 million, respectively. Accordingly, the relevant instalments of the Yikang Considerations (the "**3rd instalment**" and "**4th instalment**") were adjusted in accordance with the pre-determined formula as set out in the share purchase agreement. The amount deducted from the 3rd Instalment was approximately RMB10.7 million (the "**2021 Deduction Amount**"). As the 2021 Deduction Amount exceeded the 3rd Instalment by approximately RMB5.6 million ("**2021 Net Amount Due From Vendor**"), the Vendor was obliged to arrange payment of the 2021 Net Amount Due From Vendor to the Purchaser. The amount deducted from the 4th Instalment was approximately RMB4.3 million (the "**2022 Deduction Amount**"). The adjusted 4th Instalment was therefore approximately RMB0.9 million (the "**2022 Net Amount Due From Purchaser**"). The Vendor and Purchaser agreed to settle the 2021 Net Amount Due From Vendor and 2022 Net Amount Due from Purchaser as per the share purchase agreement and supplemental agreement. Please refer to the announcements of the Company dated 30 August 2022 and 30 March 2023 for further details.

Major Investments

For the year ended 31 December 2022, no significant investment was held by the Group. As at the date of this Annual Report, the Group has no future plans for material investments or capital assets.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2022 (2021: RMBNil).

Capital Commitments

The Group had no capital commitments as at 31 December 2022 (2021: RMBNil).

Other than as set out in this Annual Report, the Group did not acquire or dispose of any major subsidiaries or affiliated companies during the year ended 31 December 2022 (2021: 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 sporadic recurring outbreaks in 2022 affected Group's business operations. Based on the Group's assessment, disruptions were larger in scale and more severe than in 2021. The Group considered the impact on its financial condition to be manageable. There were 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 by cleaning and sanitising indoor facilities 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; (f) requesting employees to wear masks and report to the Group promptly whenever they feel unwell; and (g) follow mandatory quarantine measures as per local authorities order.

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, especially in Guangdong province, where our business is highly concentrated. In addition, the Group is impacted indirectly by laws and regulations designed to influence the wider PRC property sector.

The government exerts considerable influence over the sustainable development of the 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. Such policies may reduce market demand for properties overall, and decelerate the overall growth of property development, then we may experience slower growth in the market, and could have a material adverse effect on the Group's business, results of operations, and financial position.

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

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.

The sporadic recurring COVID-19 pandemic took a heavy toll on the country's economy, and has created more uncertainties for our business operations. The outbreak may 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 an adverse effect on the Group's business, financial condition and results of operations.

OUTLOOK AND PROSPECTS

The Government Work Report, which was released on 5 March 2023, aims for an economic growth of around 5 percent for 2023. It highlighted the bottom line of preventing regional or systemic financial risks related to real estate industry, and the government undertook to prevent and resolve risks of high-profile and high-quality developers and improve their asset and liability situation. The successful combat and control of COVID-19 had a positive impact on the real estate sector. "China is confident in the recovery of the real estate sector" said Ni Hong, the minister of housing and urban-rural development. Many cities reported double-digit monthly growth in residential property transaction volume in February, and it is the second month in a row that saw a steady upward trend in secondary property transactions, indicating growing interest among homebuyers thanks to an easing credit environment and improved market confidence.

In relation to the real estate agency services segment, the Group will continually 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 or previously achieved great results in while making best endeavors on optimizing cost control, and improving awareness and control of the business partners' credit risk. Seizing the opportunities that come along with improved market confidence, the Company will explore diversified, personalized and profitable business models.

In relation to the property management services segment, the Group will pursue quality development and growth over excessive growth in scale. The Group will expand moderately, seize profitable opportunities, especially in city services line and value-added services. Moreover, the Group will strengthen internal management by standardization, professional development, service quality and cost control to achieve efficiency and profitability.

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)	49	15 June 2021	June 2021	Providing strategic plans and general management of our Group	none
RONG Haiming (容海明)	46	16 February 2017	January 2016	Providing strategic plans and general management of our Group	none
YI Ruofeng (易若峰)	45	16 February 2017	January 2016	Providing strategic plans and general management of our Group	none
TSE Lai Wa (謝麗華)	67	16 February 2017	April 1997	Providing advice on overall business plans and overseeing strategic matters	none
Non-executive Director					
FONG Ming (方明)	57	16 February 2017	March 1997	Providing strategic advice to our Group	none
Independent non-executive Directors					
LEUNG Wai Hung (梁偉雄)	55	23 October 2017	23 October 2017	Supervising and providing independent judgement to our Board	none
LIAO Junping (廖俊平)	60	23 October 2017	23 October 2017	Supervising and providing independent judgement to our Board	none
TIAN Qiusheng (田秋生)	67	23 October 2017	23 October 2017	Supervising and providing independent judgement to our Board	none
DU Chenhua (杜稱華)	53	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 49, is the chairman and was appointed as the Company's Executive Director on 15 June 2021 and is primarily responsible for strategic planning, general management of the Group and daily operations of property management services segment.

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) ("**Guangzhou Fineland**") (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 People's Republic of China (the "**PRC**") in June 1994.

Ms. RONG Haiming (容海明) ("**Ms. Rong**"), aged 46, 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.

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, her master's degree in corporate management from the Sun Yat-Sen University in the PRC in December 2007, and her doctor's degree in business administration from City University of Hong Kong in February 2022.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. YI Ruofeng (易若峰) ("**Mr. Yi**"), aged 45, was appointed as an Executive Director on 16 February 2017 and is primarily responsible for strategic planning and general management 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 67, 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 57, 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 55, 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 at that time. 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 (now known as State Innovation Holdings 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. Since 4 August 2022, Mr. Leung was appointed as an independent non-executive Director of Sino-Ocean Service Holding Limited (stock code: 6677), a Main Board listed company. Mr. Leung is currently the Financial Controller and Company Secretary of BeijingWest Industries International Limited (stock code: 2339), 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 60, 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. From January 2002 to September 2022, Dr. Liao served as an associate professor and afterward, a professor in the business management department of Lingnan (University) College, Sun Yat-Sen University.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Dr. Liao once was 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), 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 67, 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 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, 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 (the "**Stock Exchange**") (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 53, 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)	43	Deputy general manager	January 2016	January 2016	Sales and marketing of property projects	none
ZHU Xiaoming (朱曉明) [(1)]	38	Deputy general manager	January 2016	March 2012	Sales of primary property projects	none
OUYANG Xiaoqing (歐陽小青)	40	Assistant to the Chairman and, general manager of Risk Control Department	March 2021	January 2021	General risk control management	none

Note:

1. Ms. Zhu Xiaoming (朱曉明) resigned in October 2022 due to work changes.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. XU Peng (徐鵬) ("**Mr. Xu**"), aged 43, 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 our 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 38, 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 was primarily responsible for the sales of primary property projects of our Group until her resignation in October 2022 due to work changes.

Prior to joining our 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 40, 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 be the general manager of Risk Control Department and assistant to the Chairman in March 2021. She is currently primarily responsible for the risk control management.

Prior to joining our Group, Ms. Ouyang was a legal affair specialist and the legal affairs manager at Fineland Group in between June 2007 and December 2021. In between January 2013 and 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 and March 2021, Ms. Ouyang joined Fineland E-Life as legal director, and was later 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 43, joined our Group on 21 March 2017 as our 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 in compliance with Rules 5.28 of the GEM Listing Rules. The terms of reference were revised 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.

Remuneration Committee

Our Company has established a remuneration committee on 23 October 2017 with written terms of reference in compliance with Rules 5.34 of the GEM Listing Rules. On 26 May 2020, the written terms of reference were revised and adopted in light of the Company's transfer of listing to the Main Board of the Stock Exchange. The terms of reference were further revised on 28 December 2022. 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 (including share schemes) to the Directors and senior management and to make recommendations to the Board on the Group's policy and structure for all remuneration of the Directors and senior management.

Nomination Committee

Our Company has established a nomination committee on 23 October 2017 with written terms of reference in compliance with the Corporate Governance Code in Appendix 15 to the GEM Listing Rules. The terms of reference were revised 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.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

During the year ended 31 December 2022, total remuneration (including salaries and bonus, allowances, and pension costs) paid by us to our Directors amounted to approximately RMB3.9 million (2021: RMB3.0 million).

Out of the five highest paid individuals, total remuneration (including salaries and bonus, and pension costs) paid to the two (2021: three) non-directors, highest paid individuals of our Group during the year amounted to approximately RMB1.1 million (2021: RMB2.6 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 2022 and 2021. 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

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 2022, 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.

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 2022.

The Board

During the year ended 31 December 2022, the Board comprised the following Directors:

Executive Directors

Mr. HAN Shuguang *(Chairman)*
Ms. RONG Haiming *(Chief Executive Officer)*
Mr. YI Ruofeng
Ms. TSE Lai Wa

Non-executive Director

Mr. FONG Ming

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 (including environmental, social and governance ("**ESG**") risks);
- 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 of 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 meetings with the Non-executive Directors at least annually without presence of the Executive Directors to evaluate the functioning of the Board.

The Company has received the annual written confirmations from each of the Independent Non-executive Directors, in accordance with the guidelines for assessing independence set out in the Rule 3.13 of 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, including Non-executive Director, has entered into a service contract with the Company until terminated by either party giving not less than six months' 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.

The Board Committees

For the formation and responsibilities of the Board Committees, please refer to pages 23 to 27 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 28 December 2022. 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 3 meetings during the year ended 31 December 2022 at which it has reviewed the terms of reference and discussed the 2022 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 Remuneration Committee	Number of meetings attended in the financial year ended 31 December 2022
Mr. TIAN Qiusheng *(Chairman of RC)*	3/3
Mr. LEUNG Wai Hung	3/3
Mr. YI Ruofeng	3/3

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. 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 1 meeting during the year ended 31 December 2022 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 Nomination Committee	Number of meetings attended in the financial year ended 31 December 2022
Mr. HAN Shuguang *(Chairman of NC)*	1/1
Mr. LIAO Junping	1/1
Mr. TIAN Qiusheng	1/1

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 4 meetings during the year ended 31 December 2022 at which it reviewed the terms of reference and discussed the Company's audited consolidated financial results for the year ended 31 December 2021, 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 Audit Committee	Number of meetings attended in the financial year ended 31 December 2022
Mr. LEUNG Wai Hung *(Chairman of AC)*	4/4
Mr. TIAN Qiusheng	4/4
Mr. DU Chenhua	4/4

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 in ensuring independent views and input are available. 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:

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 and effectiveness of Diversity Policy.

During the year ended 31 December 2022, the NC held 1 meeting 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. Female representation at the Board was 22.2%. 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. As at the end of 2022, the male-to-female ratio of the Group's overall workforce and senior management were 1:0.98 and 1:1 respectively.

Review of the Diversity Policy

The NC reviews the Diversity Policy annually 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. To further enhance gender diversity, the Board and the NC will stay vigilant in identifying a pipeline of potential successors to the Board. The Company constantly implements policies which encourage and attract qualified incumbents to take up senior managerial and Board roles.

Nomination Policy

The Company has adopted a nomination policy on 15 February 2019, which established written guidelines for the NC to identify individuals that are 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 2022, 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 12 to 17 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.

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	3/4			1/1	1/1
Ms. RONG Haiming	4/4				1/1
Mr. YI Ruofeng	4/4		3/3		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	4/4	3/3		1/1
Mr. LIAO Junping	4/4			1/1	1/1
Mr. TIAN Qiusheng	4/4	4/4	3/3	1/1	1/1
Mr. DU Chenhua	4/4	4/4			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:

Name 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.

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 2022, the remuneration paid or payable to BDO Limited and its affiliate companies in respect of audit and non-audit services provided amounted to approximately RMB1,382,000 and RMBNil respectively.

The remuneration paid or payable to another auditor for audit services in PRC was approximately RMB338,000 (2021: RMB300,000).

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 implementation and effectiveness of the Company's policies and practices on corporate governance and make recommendations on changes and updates;

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 the 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 Audit Committee, submit 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 (including ESG risks) and to identify and resolve potential internal control defects during the year ended 31 December 2022. 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 2022, 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.

The Company has established whistleblowing policy and hotline to allow reporting of any malpractices or irregularity in any matters related to the Group. Besides, the Company has established anti-corruption policies and systems. Please refer to the Company's ESG Report for details.

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 authorized 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 confidential basis 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 disseminated 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

If within 21 days of such deposit, 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 them 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 2022, a few amendments were made principally to bring the Memorandum and Articles of Association in line with the latest legal and regulatory requirements, including amendments made to core shareholder protection standards under Appendix 3 to the Listing Rules which took effect on 1 January 2022. 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 Company's shareholders communication policy (the "**SC Policy**") is available on 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. During the Reporting Period, the Company reviewed the implementation and effectiveness of the SC Policy and was of the view that, with the above measures in place, the SC Policy has been effectively implemented.

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 2022.

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; (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 11 of this Annual Report. This discussion forms part of this directors' report.

Major customers and suppliers

During the year ended 31 December 2022, our largest customer accounted for approximately 5.2% of total revenue. The aggregate sales to our five largest customers contributed approximately 12.5% of our total sales during the year. Three customers are connected customer as they are group entities within the Fineland Group. Together, customers that were entities within the Fineland Group in aggregate accounted for approximately 12.2% 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 2022, the Group's largest supplier accounted for approximately 27.2% of the Group's total purchases, and the Group's five largest suppliers accounted for approximately 36.7% 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 financial statements.

Recommended dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil)

Closure of register of members

The AGM is expected to be held on Wednesday, 28 June 2023. For determining the entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from Friday, 23 June 2023 to Wednesday, 28 June 2023 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, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 21 June 2023.

Gearing Ratio

As at 31 December 2022, the Group has gearing ratio (total liabilities divided by total assets) of 59% compared to that of 55% as at 31 December 2021.

Charitable donations

The Group did not make any charitable donations during the year ended 31 December 2022 (2021: Nil).

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 142. This summary does not form part of the audited financial statements.

Share capital

Details of the movements in share capital of the Company during the year ended 31 December 2022 are set out in note 24 to the financial statements. Details about the issue of shares are also set out in note 24 to the 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 2022 are set out in note 15 to the financial statements.

Intangible assets

Details of the movement in intangible assets of the Group for the year ended 31 December 2022 are set out in notes 26 to 27 to the financial statements.

Distributable reserves

As at 31 December 2022, the Company had no distributable reserves. Details of the movements in the reserves of the Company for the year are set out in note 39 to the 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' REPORT

Directors

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

Executive Directors

Mr. HAN Shuguang
Ms. RONG Haiming
Mr. YI Ruofeng
Ms. TSE Lai Wa

Non-executive Director

Mr. FONG Ming

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 and the Non-executive Director 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. Fong Ming, Ms. Tse Lai Wa and Mr. Yi Ruofeng will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting (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 2022, 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:

(i) Long positions in Shares of the Company

Name	Nature of interest	Total number of shares held	Percentage of shareholding[(6)]
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)]	3,176,000	0.794%
Mr. Yi	Interest in controlled corporation[(4)]	6,120,000	1.53%
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. Shares were held by Metropolitan Dawn Holdings Limited ("**Metropolitan Dawn**"), which is wholly-owned by Ms. Rong. In the second half of 2022, Metropolitan Dawn sold 22,324,000 shares, after which Ms. Rong is interested in a total of 3,176,000 Shares, representing 0.794% 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 sold 1,180,000 Shares in first half of 2022, after which Mr. Yi is interested in a total of 6,120,000 Shares, representing 1.53% 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.

6. All interests are calculated based on the total Shares in issue as at 31 December 2022, being 400,000,000 Shares.

(ii) Associated corporation

Apart from the foregoing, as at 31 December 2022, 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 2022, 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:

Long positions in Shares

Name	Nature of Interest	Number of Shares held	Approximate percentage of shareholding(4)
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%
Mansion Green(3)	Legal and beneficial owner	216,000,000	54%
Widethrive Investments(3)	Interest in a controlled corporation	216,000,000	54%
Fineland Group Holdings(3)	Interest in a controlled corporation	216,000,000	54%
Hero Dragon(3)	Interest in a controlled corporation	216,000,000	54%
Stand Smooth(3)	Interest in a controlled corporation	216,000,000	54%
Aspiring Vision(3)	Interest in a controlled corporation	216,000,000	54%

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 in.

(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 in.

(3) 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.

(4) All interests are calculated based on the total Shares in issue as at 31 December 2022, being 400,000,000 Shares.

Save as disclosed above, as at 31 December 2022, 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.

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 2022, no option has been 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 2022 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

Details of the related party transactions entered into by the Group are set out in note 30 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 30 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 transaction and continuing connected transaction

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 (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 to 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.

As disclosed in the circular of the Company date 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*

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 RMB49.0 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.

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*

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 Fineland 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*

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.

The Master IT Services Agreement has ceased to take effect since Fangheng Technology was disposed on 13 April 2022.

Service provider	Service recipient	Nature of transactions	Annual cap for the year ended 31 December 2022	Total amount for the year ended 31 December 2022
Our Group	Fineland Group Holdings and other connected parties	Master Agency Service Agreement	RMB220,000,000	RMB31,935,000
Our Group	Fineland Group Holdings and other connected parties	FGH Master Property Management Services Agreement	RMB53,000,000	RMB41,936,000
Our Group	Fineland Education and other connected parties	FE Master Property Management Services Agreement	RMB740,000	RMB629,000
Our Group	Fineland Group Holdings and other connected parties	Master Lease Agreement	RMB5,915,000	RMB4,090,000
Our Group	Mr. Fong's associates	Master IT Services Agreement	RMB9,500,000	RMB2,130,000

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 2022 and up to the date of this report.

Directors' interest in competing business

Save and except as disclosed in the prospectus of the Company date 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 2022.

Deed of non-competition

The controlling shareholders of the Company, namely Mr. Fong, Ms. Tse, Mansion Green, Hero Dragon, Fineland Group Holdings, Widethrive Investment, Stand Smooth and Aspiring Vision (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.

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 2022 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 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 business do not have any direct adverse impact on the environment. Nevertheless, the Group is committed to building a environmentally- friendly corporation that pays close attention to the 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 minimize 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. 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 2022, numbers of the employees was 2,004 (as at 31 December 2021, 2,071), the decrease was mainly due to decrease in real estate agency services segment, especially the front line sales related employees.

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 142 of the annual report.

Corporate Governance

Details of the corporate governance practices adopted by the Company are set out on pages 21 to 31 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.

Review by Audit Committee

The audited financial statements of the Group for the year ended 31 December 2022 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 2022 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 annual general meeting.

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 2023

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF FINELAND LIVING 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 (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 52 to 141, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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.

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, the carrying amounts of goodwill were RMB47,646,000 as at 31 December 2022 and no impairment loss was recognised during the year ended 31 December 2022.

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 competency, capabilities and objectivity of the independent professional valuer engaged by management;

— Involving internal valuation specialists to evaluate the methodologies and discount rates used by the Group for determining the recoverable amounts;

— 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 and related companies and non-controlling interests as set out in Note 5(ii).

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 RMB106,928,000, RMB117,016,000, RMB63,396,000 and RMB10,228,000 respectively as at 31 December 2022, after net off the provision of ECL of trade receivables, amounts due from fellow subsidiaries, related companies and non-controlling interests of RMB14,495,000, RMB1,723,000, RMB640,000 and RMB500,000 respectively as at 31 December 2022.

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.

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 RMB108,713,000 and RMB403,232,000 respectively for the year ended 31 December 2022. 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). We identified the revenue recognition of real estate agency services income and property management services income as a key audit matter due to its significance to the consolidated financial statements and there is significant estimate involved in the variable consideration of real estate agency services income as detailed in Note 5(i).

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.

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.

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.

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

- 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.

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 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	7	511,945	571,408
Cost of services		(409,680)	(432,802)
Gross profit		102,265	138,606
Other income and gains/(losses), net	8	11,421	6,011
Selling and marketing expenses		(1,184)	(6,067)
Administrative expenses		(71,340)	(99,028)
Impairment losses on trade and other receivables, net		(9,302)	(7,968)
Finance costs		(1,188)	(261)
Profit before income tax	9	30,672	31,293
Income tax	12(a)	1,040	(2,028)
Profit for the year		31,712	29,265
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(3,895)	1,257
Total comprehensive income for the year		27,817	30,522
Profit attributable to:			
Owners of the Company		18,163	20,197
Non-controlling interests		13,549	9,068
		31,712	29,265
Total comprehensive income attributable to:			
Owners of the Company		14,268	21,454
Non-controlling interests		13,549	9,068
		27,817	30,522

		RMB cents	RMB cents
Earnings per share			
— Basic and diluted	14	4.54	5.05

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	15	9,546	13,355
Right-of-use assets	16(a)	197	3,940
Financial assets at fair value through profit or loss	20	3,715	–
Goodwill	26	47,646	31,333
Other intangible assets	27	28,878	29,146
Deferred tax assets	12(c)	6,613	2,716
Total non-current assets		96,595	80,490
Current assets			
Trade receivables	17	106,928	94,129
Deposits, prepayments and other receivables	18	60,322	33,924
Amounts due from fellow subsidiaries	19	117,016	104,142
Amounts due from related companies	19	63,396	50,633
Amounts due from non-controlling interests	19	10,228	11
Financial assets at fair value through profit or loss	20	516	500
Restricted bank balances	21	1,153	–
Bank balances and cash	21	117,684	90,342
Total current assets		477,243	373,681
Current liabilities			
Trade payables	22(a)	73,647	56,033
Contingent consideration payable	22(b)	–	6,129
Contract liabilities	23	47,312	38,055
Accruals and other payables	22(c)	140,159	111,230
Lease liabilities	16(b)	60	1,291
Amounts due to fellow subsidiaries	19	5,320	5,296
Amounts due to related companies	19	19	329
Amounts due to non-controlling interests	19	2,713	–
Bank borrowings	29	35,730	–
Tax payable		14,007	12,336
Total current liabilities		318,967	230,699
Net current assets		158,276	142,982
Total assets less current liabilities		254,871	223,472

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	**2022** **RMB'000**	2021 RMB'000
Non-current liabilities			
Contingent consideration payable	*22(b)*	**7,337**	5,638
Lease liabilities	*16(b)*	**150**	2,697
Deferred tax liabilities	*12(c)*	**9,877**	10,087
Total non-current liabilities		**17,364**	18,422
Net assets		**237,507**	205,050
Capital and reserves			
Share capital	*24*	**3,403**	3,403
Reserves	*25*	**169,839**	155,440
Equity attributable to owners of the Company		**173,242**	158,843
Non-controlling interests	*37*	**64,265**	46,207
Total equity		**237,507**	205,050

Approved and authorised for issue by the board of directors on 30 March 2023.

Han Shuguang
Executive Director

Yi Ruofeng
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	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 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 36(b)&(c))*	–	–	–	–	–	–	–	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 and 1 January 2022	3,403	51,677	5,987	12,953	(36)	84,859	158,843	46,207	205,050
Profit for the year	–	–	–	–	–	18,163	18,163	13,549	31,712
Other comprehensive income									
Exchange differences on translation of foreign operations	–	–	–	–	(3,895)	–	(3,895)	–	(3,895)
Total comprehensive income for the year	–	–	–	–	(3,895)	18,163	14,268	13,549	27,817
Acquisition of subsidiaries *(Note 36(a))*	–	–	–	–	–	–	–	7,831	7,831
Acquisition of additional interests in a subsidiary *(Note 37)*	–	–	131	–	–	–	131	(2,322)	(2,191)
Profit appropriations to statutory reserve	–	–	–	993	–	(993)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(1,000)	(1,000)
As at 31 December 2022	3,403	51,677	6,118	13,946	(3,931)	102,029	173,242	64,265	237,507

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Profit before income tax		**30,672**	31,293
Adjustments for:			
Interest income		**(276)**	(1,152)
Fair value (gain)/loss on contingent consideration payable		**(4,037)**	117
Depreciation of property, plant and equipment		**3,357**	2,462
Depreciation of right-of-use assets		**599**	2,245
Amortisation of other intangible assets		**5,782**	4,313
Finance costs		**1,188**	261
Impairment loss on trade and other receivables, net		**9,302**	7,968
Recovery of trade and other receivables after acquisition		**(882)**	(2,953)
Loss on disposal of property, plant and equipment		**515**	99
Loss arising from acquisition of assets	36(c)	**–**	536
Loss arising from disposal of a subsidiary	40	**1,326**	–
Exchange differences		**(3,753)**	1,285
Gain on lease modifications		**(93)**	(448)
Fair value gain on financial assets at fair value through profit or loss		**(361)**	–
Operating profit before working capital changes		**43,339**	46,026
Increase in trade receivables		**(13,273)**	(47,198)
(Increase)/decrease in deposits, prepayments and other receivables		**(25,139)**	798
Increase in amounts due from fellow subsidiaries		**(10,853)**	(30,136)
Increase in amounts due from related companies		**(13,870)**	(35,568)
(Increase)/decrease in amounts due from non-controlling interests		**(10,717)**	14,988
Increase in trade payables		**17,768**	17,590
Increase in contract liabilities		**1,385**	13,845
Increase in accruals and other payables		**22,533**	17,816
Increase/(decrease) in amounts due to fellow subsidiaries		**7,943**	(747)
(Decrease)/increase in amounts due to related companies		**(310)**	329
Increase in amounts due to non-controlling interests		**1,066**	–
Cash generated from/(used in) operations		**19,872**	(2,257)
Income tax paid		**(2,812)**	(15,569)
Net cash generated from/(used in) operating activities		**17,060**	(17,826)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
Cash flows from investing activities			
Interest income received		**276**	1,152
Payment of contingent consideration payable		**(6,186)**	–
Purchases of property, plant and equipment		**(1,279)**	(4,090)
Proceeds from disposal of property, plant and equipment		**10**	7
Purchases of financial assets at fair value through profit or loss		**(3,370)**	(500)
Payment of deposits for acquisition of subsidiaries	*18*	**–**	(9,600)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	*36(a)&(b)*	**(8,680)**	(9,543)
Disposal of a subsidiary, net of cash and cash equivalents disposed of	*40*	**(4)**	–
Net cash outflow from acquisition of a subsidiary under asset acquisition	*36(c)*	**–**	(509)
Placement of restricted bank balances		**(1,153)**	–
Net cash used in investing activities		**(20,386)**	(23,083)
Cash flows from financing activities			
Capital contribution from the non-controlling interests		**–**	487
Interest paid		**(1,107)**	–
Dividends paid		**–**	(3,361)
Dividends paid to non-controlling interests		**(1,000)**	(1,869)
Payment of principal portion of lease payments		**(541)**	(2,198)
Payment of interest portion of lease payments		**(81)**	(261)
Proceeds from bank borrowings		**75,730**	–
Repayment of bank borrowings		**(40,000)**	–
Acquisition of additional interests in a subsidiary	*37*	**(2,191)**	–
Net cash generated from/(used in) financing activities		**30,810**	(7,202)
Net increase/(decrease) in cash and cash equivalents		**27,484**	(48,111)
Effect of foreign exchange rate changes		**(142)**	(28)
Cash and cash equivalents at beginning of year		**90,342**	138,481
Cash and cash equivalents at end of year		**117,684**	90,342
Analysis of balances of cash and cash equivalents			
Bank balances and cash		**117,684**	90,342

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

Fineland Living 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. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 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.

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

(a) Adoption of revised HKFRSs — effective on 1 January 2022

The Group has applied the following amended HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are relevant to and effective for the Group's consolidated financial statements for the current accounting period:

Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to Conceptual Framework
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of these amended HKFRSs has no material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

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.

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

(a) Adoption of revised HKFRSs — effective on 1 January 2022 *(Continued)*

Amendments to HKFRSs, Annual Improvements to HKFRSs 2018–2020

The annual improvements amend a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permits a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- 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.

(b) Revised HKFRSs that have been issued but are not yet effective

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

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKAS 1 and HK Interpretation 5 (2022)	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2022), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] 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.

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

(b) 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 1 — Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2022), 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 (2022) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Interpretation 5 (2022) updated 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.

Amendments to HKAS 1 — Non-current Liabilities with Covenants

The amendments deal with the classification of long-term loan arrangements with covenants by specifying that covenants to be complied with after the reporting date do not affect the classification of loan arrangements as current or non-current at the reporting date. Instead, companies are required to disclose information about these covenants in the notes to the financial statements.

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

(b) 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.

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

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated 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").

(b) Basis of measurement

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

(c) Functional and presentation currency

The consolidated 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 or disposed of during the reporting period are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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.

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.

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

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

Business combination *(Continued)*

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.

Changes in the Group's interests in a subsidiary that do not result in a loss of control of the subsidiary are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for on the same basis as would be required if the relevant assets or liabilities were disposed of.

(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 39), 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Depreciation on construction in progress does not commence until they are complete and available for use.

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 consolidated 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.

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

(d) Leases *(Continued)*

Right-of-use asset

The right-of-use asset is intially 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, 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 the reporting period. Amortisation is provided on a straight-line basis over their useful lives as follows:

Customer relationship	4-8 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.

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 entirety 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. The Group classifies its debt instruments as at amortised cost:

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.

Equity investment

The Group classifies its equity investment which is not held for trading as at FVTPL whereby changes in fair value and dividend income are recognised in profit or loss.

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, amounts due from fellow subsidiaries, related companies and non-controlling interests which are trade in nature 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 ECLs, 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.

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, bank borrowings and amounts due to fellow subsidiaries, related companies and non-controlling interests 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.

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, interests in subsidiaries 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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.

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.

For 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 to the property owners, 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.

Revenue from value-added services to non-property owners 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.

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

(n) Revenue recognition *(Continued)*

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.

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 costs 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.

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

(q) Borrowing costs

Borrowing costs are capitalised, net of interest received on cash drawn down yet to be expended when they are directly attributable to the acquisition, contribution or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

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 32(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.

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

(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.

(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 2022, the carrying amount of goodwill is RMB47,646,000 (2021: RMB31,333,000). 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.

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

(vi) Impairment of non-financial assets (other than 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 the reporting period. 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 CGU 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 estimates the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows.

(vii) Fair value measurement of financial instruments

When the fair values of financial assets at fair value through profit or loss and contingent consideration payable 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. The Group's reportable and operating segments are as follows:

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

(ii) provision of professional property management services

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 2022		
	Real estate agency services *RMB'000*	Property management services *RMB'000*	Total *RMB'000*
Segment revenue			
External sales	108,713	403,232	511,945
Intersegment sales	130	12	142
	108,843	403,244	512,087
Reconciliation:			
Elimination of intersegment sales	(130)	(12)	(142)
Total revenue	108,713	403,232	511,945
Segment results	15,960	70,787	86,747
Reconciliation:			
Fair value gain on contingent consideration payable			4,037
Unallocated corporate expenses			(60,112)
Profit before income tax			30,672

Unallocated corporate expenses mainly comprises legal and professional fees and certain salaries and allowances.

	Year ended 31 December 2022		
	Real estate agency services *RMB'000*	Property management services *RMB'000*	Total *RMB'000*
Other segment information			
Capital expenditure	–	1,279	1,279
(Reversal of impairment loss)/impairment loss on trade and other receivables, net	(183)	9,485	9,302
Depreciation of property, plant and equipment	270	3,087	3,357
Depreciation of right-of-use assets	522	77	599
Amortisation of other intangible assets	–	5,782	5,782
Finance costs	70	1,118	1,188
Fair value gain on financial assets at fair value through profit or loss	–	(361)	(361)

6. SEGMENT REPORTING *(Continued)*

Reportable segments *(Continued)*

	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
	263,857	309,202	573,059
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 comprised loss arising from acquisition of assets, legal and professional fees and certain 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.

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:

	2022 ***RMB'000***	2021 *RMB'000*
Fineland Group Holdings Company Limited ("Fineland Group Holdings") and its subsidiaries* (collectively the "Fineland Group")	**62,710**	121,029
Investee company of the Fineland Group	**–**	57,441

Revenue from customers above are attributable to real estate agency services and property management services segments.

* Fellow subsidiaries of the Company

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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	2022 *RMB'000*	2021 *RMB'000*
Real estate agency services			
Real estate agency services income	at a point in time	**108,713**	263,857
Property management services			
Property management services income	over time	**303,663**	206,570
Value-added services to non-property owners	over time	**42,540**	48,203
Community value-added services			
— Other value-added services	over time	**51,517**	43,377
— Sales of goods	at a point in time	**3,067**	3,062
Software service income	over time	**2,445**	6,339
		403,232	307,551
		511,945	571,408

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-added 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.

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

	2022 *RMB'000*	2021 *RMB'000*
Gain on lease modifications *(Note 16)*	**93**	448
Government grants *(Note)*	**2,415**	2,038
Interest income	**276**	1,152
Fair value gain/(loss) on contingent consideration payable	**4,037**	(117)
Loss arising from acquisition of assets *(Note 36(c))*	**–**	(536)
Recovery of trade and other receivables after acquisition	**882**	2,953
Exchange gains, net	**3,830**	–
Loss arising from disposal of a subsidiary *(Note 40)*	**(1,326)**	–
Fair value gain on financial assets at fair value through profit or loss	**361**	–
Others	**853**	73
	11,421	6,011

Note: The government grants in 2022 and 2021 mainly represent refunds of value-added tax and other taxes benefits from the PRC tax authorities. There were no unfulfilled conditions relating to the grants.

9. PROFIT BEFORE INCOME TAX

This is arrived at after charging/(crediting):

	2022 *RMB'000*	2021 *RMB'000*
Auditor's remuneration		
— audit services	**1,720**	1,958
— non-audit services	**–**	321
Amortisation of other intangible assets (included in administrative expenses)	**5,782**	4,313
Depreciation of property, plant and equipment	**3,357**	2,462
Depreciation of right-of-use assets	**599**	2,245
Exchange (gains)/losses, net	**(3,830)**	1,350
Loss on disposal of property, plant and equipment	**515**	99
Finance costs:		
Interest expenses on lease liabilities	**81**	261
Interest expenses on bank borrowings	**1,107**	–
Employee benefit expenses *(Note 10)*	**222,529**	237,048
Short-term lease expenses	**6,462**	6,672

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

10. EMPLOYEE BENEFIT EXPENSES

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

	2022 **RMB'000**	2021 RMB'000
Salaries, allowances and other benefits	**195,038**	208,173
Contributions to retirement benefits scheme	**27,491**	28,875
	222,529	237,048

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

(a) Directors' emoluments (including Chief Executives)

The emoluments of each of the directors (including Chief Executives) 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 2022					
Executive directors					
Mr. Han Shuguang	–	1,275	93	94	1,462
Ms. Rong Haiming	–	608	–	87	695
Mr. Yi Ruofeng	–	619	25	87	731
Ms. Tse Lai Wa	–	120	–	–	120
Non-executive director					
Mr. Fong Ming	120	–	–	–	120
Independent non-executive directors					
Mr. Leung Wai Hung	187	–	–	–	187
Dr. Liao Junping	185	–	–	–	185
Mr. Tian Qiusheng	185	–	–	–	185
Mr. Du Chenhua	185	–	–	–	185
	862	2,622	118	268	3,870

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

(a) Directors' emoluments (including Chief Executives) *(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 2021					
Executive directors					
Mr. Han Shuguang*	–	65	–	–	65
Ms. Rong Haiming	–	736	300	74	1,110
Mr. Yi Ruofeng	–	510	300	74	884
Ms. Tse Lai Wa	–	120	–	–	120
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.

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 (2021: RMBNil). In addition, none of the directors waived or agreed to waive any remuneration during the year (2021: 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.

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 three directors (2021: 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 two (2021: three) non-director, highest paid individuals for the year, are as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Salaries, allowances and other benefits	**1,047**	1,860
Discretionary bonuses	**–**	664
Contributions to retirement benefits scheme	**82**	120
	1,129	2,644

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 (2021: RMBNil).

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

	2022 **Number of individuals**	2021 Number of individuals
HK$Nil to HK$1,000,000 (equivalent to approximately RMBNil to RMB863,700)	**2**	–
HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB863,701 to RMB1,296,000)	**–**	3
	2	3

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

	2022 **Number of individual**	2021 Number of individual
HK$Nil to HK$1,000,000 (equivalent to approximately RMBNil to RMB863,700)	**1**	–
HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB863,701 to RMB1,296,000)	**–**	1
	1	1

12. INCOME TAX

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

	2022 *RMB'000*	2021 *RMB'000*
Current tax — PRC Enterprise Income Tax ("EIT")		
— provision for the year	3,567	5,660
— under provision in respect of prior years	916	49
	4,483	5,709
Deferred tax *(Note 12(c))*	(5,523)	(3,681)
	(1,040)	2,028

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 5% (2021: 2.5% and 10%) respectively for the year ended 31 December 2022.

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

	2022 *RMB'000*	2021 *RMB'000*
Profit before income tax	30,672	31,293
Taxation calculated at PRC EIT rate of 25% (2021: 25%)	7,668	7,823
Tax effect of different tax rates of subsidiaries with low profits	(11,105)	(6,829)
Effect of different tax rates of subsidiaries operating in other jurisdictions	223	961
Tax effect of revenue not taxable for tax purposes	(2,457)	(5,216)
Tax effect of expenses not deductible for tax purposes	716	5,053
Tax effect of tax losses not recognised	3,226	1,691
Deferred tax on undistributed earnings of PRC subsidiaries	(227)	(1,504)
Under provision in respect of prior years	916	49
Income tax for the year	(1,040)	2,028

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 2021	–	–	–	4,389	4,389
Acquisition of subsidiaries *(Note 36(b))*	(724)	(832)	8,219	–	6,663
Charged/(credited) to profit or loss *(Note 12(a))*	48	(1,208)	(1,017)	(1,504)	(3,681)
As at 31 December 2021 and 1 January 2022	(676)	(2,040)	7,202	2,885	7,371
Acquisition of subsidiaries *(Note 36(a))*	–	(11)	1,500	–	1,489
Disposal of a subsidiary *(Note 40)*	–	–	(73)	–	(73)
Credited to profit or loss *(Note 12(a))*	(2,146)	(1,740)	(1,410)	(227)	(5,523)
As at 31 December 2022	(2,822)	(3,791)	7,219	2,658	3,264

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

	2022 ***RMB'000***	2021 *RMB'000*
Deferred tax assets	**6,613**	2,716
Deferred tax liabilities	**(9,877)**	(10,087)
	(3,264)	(7,371)

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 2022, no deferred tax liability was provided for the withholding tax that would be payable on certain unremitted earnings amounting to RMB182,581,000 (2021: RMB123,189,000). 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 2022, the Group had unused tax losses of approximately RMB18,096,000 (2021: RMB5,594,000) available for offset against future profits of certain subsidiaries.

The unused tax losses will be available within five to ten years (2021: five to ten years) for offsetting against future taxable profits of the companies in which the losses arose.

As at 31 December 2022, the Group did not have other material unrecognised deferred tax (2021: 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.

The directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2022 (2021: Nil).

14. EARNINGS PER SHARE

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

	2022	2021
Profit for the year attributable to the owners of the Company *(RMB'000)*	18,163	20,197
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 2022 and 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*	Construction in progress *RMB'000*	Total *RMB'000*
Cost							
As at 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 36(b))*	2,270	128	274	5,432	1,689	–	9,793
Disposals	–	(31)	–	(177)	(1,036)	–	(1,244)
As at 31 December 2021 and 1 January 2022	2,891	960	712	10,565	4,279	–	19,407
Additions	–	50	85	757	387	–	1,279
Acquisition of subsidiaries *(Note 36(a))*	–	331	–	304	525	14	1,174
Transfer	–	–	–	–	*14*	(14)	–
Disposal of a subsidiary *(Note 40)*	–	(16)	–	(3,844)	–	–	(3,860)
Disposals	–	(37)	(547)	(424)	(984)	–	(1,992)
As at 31 December 2022	2,891	1,288	250	7,358	4,221	–	16,008
Accumulated depreciation							
As at 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 and 1 January 2022	(88)	(594)	(423)	(4,010)	(937)	–	(6,052)
Depreciation for the year	(144)	(225)	(60)	(1,956)	(972)	–	(3,357)
Disposal of a subsidiary *(Note 40)*	–	7	–	1,473	–	–	1,480
Eliminated on disposals	–	44	448	302	673	–	1,467
As at 31 December 2022	(232)	(768)	(35)	(4,191)	(1,236)	–	(6,462)
Net carrying amount							
As at 31 December 2022	2,659	520	215	3,167	2,985	–	9,546
As at 31 December 2021	2,803	366	289	6,555	3,342	–	13,355

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 of 3 years (2021: 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.

16. LEASES *(Continued)*

Due to the persistence of COVID-19 pandemic during the year ended 31 December 2022, the Group exercised termination options of certain leases. As a result of lease modifications, right-of-use assets with aggregate costs of RMB4,003,000 (2021: RMB10,030,000) and accumulated depreciation of RMB859,000 (2021: RMB4,226,000) and the corresponding lease liabilities of RMB3,237,000 (2021: RMB6,252,000) are derecognised and accordingly, a gain on lease modifications of RMB93,000 (2021: RMB448,000) has been recognised as other income in profit or loss during the year (Note 8).

(a) Right-of-use assets

	Office and shop premises *RMB'000*
Cost	
As at 1 January 2021	11,167
Additions	5,324
Lease modifications	(10,030)
Written-off	(2,110)
As at 31 December 2021 and 1 January 2022	4,351
Lease modifications	(4,003)
As at 31 December 2022	348
Accumulated depreciation	
As at 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 and 1 January 2022	(411)
Depreciation for the year	(599)
Eliminated on lease modifications	859
As at 31 December 2022	(151)
Net carrying amount	
As at 31 December 2022	197
As at 31 December 2021	3,940

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

	2022 ***RMB'000***	2021 *RMB'000*
Within operating activities	**6,462**	6,672
Within financing activities	**622**	2,459
	7,084	9,131

16. LEASES *(Continued)*

(b) Lease liabilities

	2022	2021
	RMB'000	*RMB'000*
Current liabilities	**60**	1,291
Non-current liabilities	**150**	2,697
	210	3,988

As at 31 December 2022	**Present value** ***RMB'000***	**Interest** ***RMB'000***	**Minimum lease payments** ***RMB'000***
Not later than one year	**60**	**1**	**61**
Later than one year and not later than two years	**120**	**6**	**126**
Later than two years and not later than five years	**30**	**2**	**32**
	210	**9**	**219**

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

17. TRADE RECEIVABLES

	2022 **RMB'000**	2021 RMB'000
Trade receivables	**121,423**	103,628
Less: Impairment losses	**(14,495)**	(9,499)
	106,928	94,129

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 as at the end of the reporting period is as follows:

	2022 **RMB'000**	2021 RMB'000
Within 1 year	**87,029**	85,987
1 to 2 years	**17,326**	5,724
Over 2 years	**2,573**	2,418
	106,928	94,129

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 32(a). For the year ended 31 December 2022, additional provision of RMB5,009,000 (2021: RMB7,838,000) and written off of RMB13,000 (2021: RMBNil) were made against the gross amounts of trade receivables.

18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2022 **RMB'000**	2021 *RMB'000*
Rental and utility deposits	**1,561**	1,888
Prepayments *(Note (a))*	**10,928**	6,666
Other receivables and deposits *(Note (b))*	**39,829**	15,275
Payment on behalf of property owners	**8,004**	495
Deposits paid for acquisition of subsidiaries	**–**	9,600
	60,322	33,924

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 2022, other receivables and deposits included deposits paid to real estate agents of approximately RMB1,855,000 (2021: RMB3,012,000) 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. The remaining balances mainly included deposits for car park, medical insurance, bidding for property management services and housing public maintenance fund.

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 2021 and 2022 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 year ended 31 December 2021 and 2022 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, is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Amounts due from fellow subsidiaries	118,739	104,142
Less: Impairment losses	(1,723)	–
	117,016	104,142
Within 1 year	97,037	104,142
Over 1 year	19,979	–
	117,016	104,142

	2022 *RMB'000*	2021 *RMB'000*
Amounts due from related companies	64,036	50,633
Less: Impairment losses	(640)	–
	63,396	50,633
Within 1 year	63,396	50,633

	2022 *RMB'000*	2021 *RMB'000*
Amounts due from non-controlling interests	10,728	11
Less: Impairment losses	(500)	–
	10,228	11
Within 1 year	10,228	11

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

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

	2022 **RMB'000**	2021 RMB'000
Amounts due to fellow subsidiaries		
Within 1 year	**5,320**	5,296

	2022 **RMB'000**	2021 RMB'000
Amounts due to related companies		
Within 1 year	**19**	329

	2022 **RMB'000**	2021 RMB'000
Amounts due to non-controlling interests		
Within 1 year	**2,713**	–

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 **RMB'000**	2021 RMB'000
Unlisted partnership investment, at fair value *(Note (a))*	**3,715**	–
Unlisted investments, at fair value *(Note (b))*	**516**	500
	4,231	500
Categorised as:		
Non-current portion	**3,715**	–
Current portion	**516**	500
	4,231	500

Notes:

(a) On 8 July 2022, the Group acquired 40% of the equity interests in Shenzhen Lejia Yida Investment Partnership (L.P.) ("Shenzhen Lejia") from an independent third party for a cash consideration of RMB3,370,000. The objective of Shenzhen Lejia is to achieve capital appreciation through equity investments in selected good quality enterprises. Under the partnership agreement, the Group is one of the limited partners who do not have the power to participate in the financial and operating policy decisions of Shenzhen Lejia while the general partner, who is an independent third party, has the rights and power to administer the daily affairs of Shenzhen Lejia. The Group's maximum exposure to loss from its interest in the partnership is limited to the carrying amount presented above.

As at 31 December 2022, the fair value of the partnership investment was RMB3,715,000 (2021: RMBNil). Change in fair value of the partnership investment is recognised in "other income and gains/(losses), net" in the consolidated statement of comprehensive income.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes: (Continued)

(b) The 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.

The wealth management products are classified as current as the management expects to realise these financial assets within twelve months after the reporting period.

21. RESTRICTED BANK BALANCES, BANK BALANCES AND CASH

	2022 ***RMB'000***	2021 *RMB'000*
Total bank balances and cash	**118,837**	90,342
Less: Restricted bank balances	**(1,153)**	–
Cash and cash equivalents	**117,684**	90,342

As at 31 December 2021 and 2022, restricted bank balances and bank balances carry interest at prevailing deposit rates.

As at 31 December 2022, included in the Group's restricted bank balances and bank balances is an amount of approximately RMB116,445,000 (2021: RMB88,845,000), 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 co-operative real estate agents and payable to the property management service providers. The ageing analysis of trade payables based on invoice date as at the end of the reporting period is as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Within 1 year	**72,878**	56,033
Over 1 year	**769**	–
	73,647	56,033

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 interest–free and the normal trade credit terms granted to the Group range from 30 days to 180 days from the date of invoice.

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

(b) Contingent consideration payable

	2022 *RMB'000*	2021 *RMB'000*
Contingent consideration payable	**7,337**	11,767
Categorised as:		
Current portion	**–**	6,129
Non-current portion	**7,337**	5,638
	7,337	11,767

Contingent consideration payable represents the fair value of contingent consideration which may be paid in cash by the Group for the acquisition of Yikang and Ji Yang Hong. Details are disclosed in Notes 36(a)(i) and (b)(iv).

As at 31 December 2022, consideration of RMB1,615,000 and RMB5,722,000 for Yikang and Ji Yang Hong respectively will be payable in 2024.

(c) Accruals and other payables

	2022 *RMB'000*	2021 *RMB'000*
Accrued staff benefits expenses	**55,917**	56,810
Deposits received *(Note)*	**56,412**	34,781
Temporary receipts from properties owners	**3,465**	454
Accrued utilities	**6,144**	3,933
Other tax payables	**4,446**	7,422
Others	**13,775**	7,830
	140,159	111,230

Note:

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

23. CONTRACT LIABILITIES

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

	2022	2021
	RMB'000	*RMB'000*
Contract liabilities from third parties	**47,312**	38,055

(i) Significant changes in contract assets and liabilities

As at 31 December 2022, the contract liabilities mainly arose from the advance payments made by customers while the underlying services were yet to be provided. The increase in contract liabilities during the year was in line with the growth of the Group's business and acquisition of subsidiaries.

(ii) Revenue recognised in relation to contract liabilities

The following table shows the amount of the revenue recognised in the reporting period that relates to carried-forward contract liabilities:

	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Real estate agency services	**1,191**	3,410
Property management services	**36,864**	–
	38,055	3,410

(iii) Assets recognised from incremental cost to obtain a contract

During the years ended 31 December 2022 and 2021, there was no significant incremental cost to obtain a contract.

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24. SHARE CAPITAL

	Number	Amount *HK$'000*
Ordinary shares at par value of HK$0.01 each		
Authorised		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	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 2021, 31 December 2021, 1 January 2022 and 31 December 2022	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).

26. GOODWILL

	2022 RMB'000	2021 RMB'000
Cost		
As at 1 January	**31,333**	–
Acquired through business combinations *(Notes 36(a)&(b))*	**20,371**	31,333
Disposal of a subsidiary *(Note 40)*	**(4,058)**	–
As at 31 December	**47,646**	31,333
Accumulated impairment losses		
As at 1 January and 31 December	**–**	–
Net carrying amount		
As at 31 December	**47,646**	31,333

As set out in Note 36(a)(i), the Group had acquired 60% of the equity interests in Guangdong Yikang Property Service Co., Ltd ("Yikang") at a cash consideration of RMB17,199,000 and contingent consideration up to RMB5,793,000 in aggregate. At the date of the acquisition, other intangible asset arising from customer relationship of RMB6,000,000 (Note 27) and goodwill of RMB17,646,000 had been recognised during the year ended 31 December 2022.

As set out in Note 36(a)(ii), the Group had acquired 51% of the equity interests in Guangdong Juncheng Fangyuan Property Service Co., Ltd. (formerly known as Guangdong Juncheng Fangyuan Property Service Co., Ltd.) ("Juncheng") at a cash consideration of RMB5,100,000. At the date of the acquisition, goodwill of RMB702,000 had been recognised during the year ended 31 December 2022.

As set out in Note 36(a)(iii), the Group had acquired 100% of the equity interests in Guiping Yuegui Huacheng Property Service Co., Ltd. ("Yuegui") at a cash consideration of RMB400,000. At the date of the acquisition, goodwill of RMB2,023,000 had been recognised during the year ended 31 December 2022.

As set out in Note 36(b)(i), the Group had acquired approximately 66.31% of the equity interests in Guangzhou Fineland E-Life Service Co., Ltd. ("Fineland E-Life") at a cash consideration of RMB68,000,000. 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 had been recognised during the year ended 31 December 2021.

As set out in Note 36(b)(ii), the Group had acquired 100% of the equity interests in Guangzhou Fangheng Technology Co., Ltd. ("Fangheng Techology") at a cash consideration of RMB4,500,000. At the date of the acquisition, other intangible asset arising from backlog of RMB1,459,000 (Note 27) and goodwill of RMB4,058,000 had been recognised during the year ended 31 December 2021.

As set out in Note 36(b)(iii), the Group had acquired 51% of the equity interests in Liuyang Jichuang Community Service Co., Ltd. ("Jichuang Community") at a cash consideration of RMB255,000. At the date of the acquisition, goodwill of RMB183,000 had been recognised during the year ended 31 December 2021.

26. GOODWILL *(Continued)*

As set out in Note 36(b)(iv), the Group had acquired 51% of the equity interests in Changsha Ji Yang Hong Property Management Co., Ltd. ("Ji Yang Hong") at a cash consideration of RMB12,373,000 and contingent consideration up to RMB11,650,000. At the date of the acquisition, goodwill of RMB21,564,000 had been recognised during the year ended 31 December 2021.

For the purpose of impairment testing, goodwill is allocated to the CGUs identified which are included in the property management services segment as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Fineland E-Life	**5,528**	5,528
Fangheng Technology	**–**	4,058
Jichuang Community	**183**	183
Ji Yang Hong	**21,564**	21,564
Yikang	**17,646**	–
Juncheng	**702**	–
Yuegui	**2,023**	–
As at 31 December	**47,646**	31,333

The recoverable amount of the CGU to which the goodwill relates has been determined based on a value in use calculation with reference to a valuation performed by Cushman & Wakefield, an independent expert valuation firm. In addition to goodwill above, property, plant and equipment, right-of-use assets, and other intangible assets (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the respective CGU for the purpose of impairment assessment. The calculation is based on financial budgets covering a five-year period approved by management and an extrapolation of expected cash flows with 2-10% (2021: 2-11%) growth rates. 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:

2022	**Fineland E-Life**	**Fangheng Technology**	**Jichuang Community**	**Ji Yang Hong**	**Yikang**	**Juncheng**	**Yuegui**
Growth rate	**2%**	**–**	**2%**	**2%**	**2-10%**	**2%**	**2%**
Discount rate	**14%**	**–**	**12%**	**14%**	**14%**	**12%**	**11%**

26. GOODWILL *(Continued)*

2021	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%

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 2022, the directors of the Company determined that no impairment provision on goodwill is required (2021: Nil).

27. OTHER INTANGIBLE ASSETS

	Customer relationship *RMB'000*	**Backlog** *RMB'000*	**Total** *RMB'000*
Cost			
As at 1 January 2021	–	–	–
Acquisition of subsidiaries *(Note 36(b))*	32,000	1,459	33,459
As at 31 December 2021 and 1 January 2022	32,000	1,459	33,459
Acquisition of subsidiaries *(Note 36(a))*	6,000	–	6,000
Disposal of a subsidiary *(Note 40)*	–	(1,459)	(1,459)
As at 31 December 2022	38,000	–	38,000
Amortisation			
As at 1 January 2021	–	–	–
Amortisation for the year	3,705	608	4,313
As at 31 December 2021 and 1 January 2022	3,705	608	4,313
Amortisation for the year	5,417	365	5,782
Disposal of a subsidiary *(Note 40)*	–	(973)	(973)
As at 31 December 2022	9,122	–	9,122
Net carrying amount			
As at 31 December 2022	28,878	–	28,878
As at 31 December 2021	28,295	851	29,146

28. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitment

At the end of the reporting period, the Group did not have any significant capital commitment (2021: RMBNil).

(b) Contingent liability

At the end of the reporting period, the Group did not have any significant contingent liability (2021: RMBNil).

29. BANK BORROWINGS

	2022 **RMB'000**	2021 *RMB'000*
Bank borrowings, secured	**35,730**	–

As at 31 December 2022, the bank borrowings are repayable as follows:

	2022 **RMB'000**	2021 *RMB'000*
Within one year or on demand	**35,730**	–

Bank borrowings are denominated in RMB and carried interest at fixed rate of 4% per annum (2021: Nil).

The bank loan is secured by a personal guarantee from the ultimate controlling shareholder, Mr. Fong Ming, corporate guarantees from the fellow subsidiaries and a legal charge over a fellow subsidiary's land and buildings.

As at 31 December 2022, the Group has unutilised borrowing facilities amounting to RMB4,270,000 (2021: RMBNil).

30. 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:

	2022 *RMB'000*	2021 *RMB'000*
Real estate agency services income from fellow subsidiaries *(Note 30(j))*	**25,909**	79,253
Real estate agency services income from investee companies of fellow subsidiaries	**24,740**	53,060
Real estate agency services income from associates of fellow subsidiaries *(Note 30(j))*	**6,026**	20,638
Property management services income from fellow subsidiaries *(Note 30(j))*	**11,080**	6,193
Property management services income from related companies *(Note 30(j))*	**554**	654
Property management services income from associates of fellow subsidiaries *(Note 30(j))*	**8,049**	1,710
Property management service income from investee companies of fellow subsidiaries	**300**	–
Value-added services to non-property owners income from fellow subsidiaries *(Note 30(j))*	**20,397**	30,981
Value-added services to non-property owners income from associates of fellow subsidiaries *(Note 30(j))*	**6,618**	5,702
Value-added services to non-property owners income from investee companies of fellow subsidiaries	**6,821**	4,733
Other value-added services income from fellow subsidiaries *(Note 30(j))*	**3,026**	554
Other value-added services income from related companies *(Note 30(j))*	**6**	20
Other value-added services income from an associate of a fellow subsidiary *(Note 30(j))*	**–**	62
Sales of goods from fellow subsidiaries *(Note 30(j))*	**427**	96
Sales of goods from associates of fellow subsidiaries *(Note 30(j))*	**127**	–
Sales of goods from investee companies of fellow subsidiaries	**96**	–
Software service income from fellow subsidiaries *(Note 30(j))*	**1,961**	4,456
Software service income from related companies *(Note 30(j))*	**19**	13
Software service income from associates of fellow subsidiaries *(Note 30(j))*	**261**	1,768
Software service income from investee companies of fellow subsidiaries	**61**	102
Short-term leases expenses to fellow subsidiaries *(Note 30(j))*	**4,170**	5,339
Lease payments to a related party *(Note)*	**219**	439
Consultancy fee to a fellow subsidiary	**300**	1,948
Utilities to a fellow subsidiary	**690**	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.

30. 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 non-executive 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. The master IT services agreement has ceased to take effect since the disposal of Guangdong Fongheng Technology., Ltd as detailed in Note 30(k).

(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.

30. RELATED PARTY TRANSACTIONS *(Continued)*

(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-added services to non-property owners income, other value-added services income, sales of goods, software service income and short-term leases expenses included approximately RMB31,935,000, RMB14,224,000, RMB24,828,000, RMB3,032,000, RMB481,000, RMB2,130,000 and RMB4,090,000 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.

(k) Disposal of a subsidiary

On 13 April 2022, the Group entered into a share purchase agreement with its fellow subsidiary, Guangzhou Yingda Investment Consulting Co., Ltd., for the disposal of 100% of the equity interests in Guangzhou Fangheng Technology Co., Ltd. at a cash consideration of RMB2,400,000 (Note 40).

31. 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:

	2022	2021
	RMB'000	*RMB'000*
Total liabilities	**336,331**	249,121
Total assets	**573,838**	454,171
Gearing ratio	**59%**	55%

32. 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 trade receivables, amounts due from fellow subsidiaries, related companies and non-controlling interests which are trade in nature. The Group measures the expected credit losses on a combination of individual and collective basis.

Accordingly, the ECLs on amounts due from fellow subsidiaries, related companies and non-controlling interests which are trade in nature, were RMB1,723,000 (2021: RMBNil), RMB640,000 (2021: RMBNil) and RMB500,000 (2021: RMBNil) respectively as at 31 December 2022.

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 2022, the balance of loss allowance in respect of these individually assessed receivables was RMB389,000 (2021: RMB1,667,000).

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 the remaining receivables as at 31 December 2021 and 2022 is set out in the table below.

32. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

(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 RMB1,430,000 (2021: RMB130,000).

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 and changes in the operating results of the debtor.

32. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

As at 31 December 2022, 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 1 year	**3.99%**	**90,649**	**(3,620)**	**87,029**
1 to 2 years	**10.82%**	**19,428**	**(2,102)**	**17,326**
2 to 3 years	**30.98%**	**3,728**	**(1,155)**	**2,573**
over 3 years	**100%**	**7,229**	**(7,229)**	**–**
Assessed individually				
Full expected loss	**100%**	**389**	**(389)**	**–**
Total		**121,423**	**(14,495)**	**106,928**

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 1 year	2.08%	87,814	(1,827)	85,987
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

32. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

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

	2022 *RMB'000*	2021 *RMB'000*
As at 1 January	**9,499**	1,661
Impairment losses recognised during the year	**5,009**	7,838
Written off	**(13)**	–
As at 31 December	**14,495**	9,499

The increase in impairment loss allowance of approximately RMB4,996,000 (2021: 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 2021 and 2022, the Group has concentration of credit risk on amounts due from fellow subsidiaries, related companies and non-controlling interests which are trade in nature 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.

(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.

32. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk *(Continued)*

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 2022					
Trade payables	73,647	73,647	73,647	–	–
Contingent consideration payable	7,337	8,328	–	8,328	–
Accruals and other payables	135,713	135,713	135,713	–	–
Lease liabilities	210	219	61	126	32
Amounts due to fellow subsidiaries	5,320	5,320	5,320	–	–
Amounts due to related companies	19	19	19	–	–
Amounts due to non-controlling interests	2,713	2,713	2,713	–	–
Bank borrowings	35,730	36,963	36,963	–	–
	260,689	262,922	254,436	8,454	32

	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

32. FINANCIAL RISK MANAGEMENT *(Continued)*

(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.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from short term bank borrowings at fixed rate which expose the Group to fair value interest rate risk. The Group considers that its exposure to interest rate risk is insignificant in the absence of interest-bearing financial liabilities with contractual period exceeding one year.

(e) 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 2022				
Financial assets at FVTPL				
— Wealth management products	**–**	**–**	**516**	**516**
— Unlisted partnership investment	**–**	**–**	**3,715**	**3,715**
	–	**–**	**4,231**	**4,231**
Financial liabilities at FVTPL				
— Contingent consideration payable	**–**	**–**	**(7,337)**	**(7,337)**

	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)

32. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Fair value estimation *(Continued)*

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 partnership investment is categorised within Level 3 of the fair value hierarchy and is determined by using the discounted cashflow technique which is based on the following significant unobservable inputs:

	As at 31 December 2022
Discount for lack of marketability	15.7%
Weighted average cost of capital	13.6%
Long-term revenue growth rate	2.0%

The fair values 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.

Financial instruments	Valuation technique	Significant unobservable inputs	Range	Relationship of unobservable inputs to fair value
Contingent consideration payable – Ji Yang Hong	Discounted cashflow	Expected revenue	RMB37,492,000 (2021: RMB27,941,000 – RMB29,817,000)	Increase in expected revenue and net profit would result in increase in fair value
		Expected net profit	RMB8,592,000 (2021: RMB4,037,000 – RMB4,194,000)	
Contingent consideration payable – Yikang	Discounted cashflow	Expected revenue	RMB37,784,000 (2021: RMBNil)	Increase in expected revenue and net profit would result in increase in fair value
		Expected net profit	RMB6,829,000 (2021: RMBNil)	

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

32. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Fair value estimation *(Continued)*

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

Financial assets at FVTPL	2022 RMB'000	2021 RMB'000
As at 1 January	500	–
Additions	3,370	500
Total gains or losses:		
— in profit or loss (included in other income and gains/(losses), net)	361	–
As at 31 December	4,231	500

Contingent consideration payable	2022 RMB'000	2021 RMB'000
As at 1 January	(11,767)	–
Acquisition of the subsidiaries *(Notes 36(a)&(b))*	(5,793)	(11,650)
Settlement	6,186	–
Total gains or losses:		
— in profit or loss (included in other income and gains/(losses), net)	4,037	(117)
As at 31 December	(7,337)	(11,767)
Total net gains or (losses) recognised in profit or loss relating to financial instruments held by the Group at the reporting date	4,398	(117)

33. 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 2022 is categorised as follows:

	2022 RMB'000	2021 RMB'000
Financial assets:		
Financial assets at FVTPL	4,231	500
Financial assets measured at amortised cost	465,799	366,515
Financial liabilities:		
Financial liabilities at FVTPL	7,337	11,767
Financial liabilities measured at amortised cost	260,479	177,233
Other financial liabilities — lease liabilities	210	3,988

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

There are no major non-cash transactions for the year ended 31 December 2022.

During the year ended 31 December 2021, the Group had additions to right-of-use assets and lease liabilities of RMB5,324,000 and RMB5,324,000 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*	Bank borrowings *RMB'000*	Total *RMB'000*
At 1 January 2022	3,988	–	3,988
Changes from cash flows:			
Payment of principal portion of lease payments	(541)	–	(541)
Payment of interest portion of lease payments	(81)	–	(81)
Proceeds from bank borrowings	–	75,730	75,730
Repayment of bank borrowings	–	(40,000)	(40,000)
Interest paid	–	(1,107)	(1,107)
Total changes from financing cash flows	(622)	34,623	34,001
Other changes:			
Modification of leases *(Note 16)*	(3,237)	–	(3,237)
Interest expenses of lease liabilities	81	–	81
Interest expenses	–	1,107	1,107
Total other changes	(3,156)	1,107	(2,049)
At 31 December 2022	210	35,730	35,940

34. 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 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)
Other changes:	
New lease liabilities	5,324
Modification of leases *(Note 16)*	(6,252)
Interest expenses of lease liabilities	261
Total other changes	(667)
At 31 December 2021	3,988

35. DEFINED CONTRIBUTION RETIREMENT SCHEME

The employees of the Group in the PRC are members of state-managed retirement benefit 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 retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions. There were no forfeited contributions under the retirement benefit schemes.

36. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of business for the year ended 31 December 2022

(i) 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 independent third parties, to acquire 60% of the equity interests in Guangdong Yikang Property Service Co., Ltd. (the "Yikang Acquisition") at a cash consideration of RMB17,199,000 and contingent consideration up to RMB5,793,000 in aggregate. The contingent consideration will be paid by instalments in cash. The Group has the right to adjust the consideration if the related targets on Yikang, mainly net profit targets for the years ended 31 December 2021, 2022 and 2023, are not fulfilled. As at 31 December 2022, there was no payment of contingent consideration. As set out in the relevant agreement, the performance target of operating profits is at least RMB5,086,000, RMB5,594,000 and RMB6,154,000 in 2021, 2022 and 2023 respectively. As the actual net profit for the year ended 31 December 2021 did not meet the 2021 guaranteed profit, approximately RMB10.7 million was deducted from the consideration. As the deduction amount exceeded the third instalment, pursuant to the share purchase agreement, the vendor agreed to pay the purchaser the difference between the deduction amount and the third instalment, which is approximately RMB5.5 million. As the actual net profit for the year ended 31 December 2022 did not meet the 2022 guaranteed profit, the consideration was deducted by RMB4,178,000 and recognised as fair value gain on contingent consideration payable set out in Note 8.

Yikang is a property management services provider based in Dongguan, Guangdong Province of the PRC. The Yikang Acquisition can further expand the Group's property management portfolio in the Greater Bay Area market in the PRC. The Group obtained control over Yikang on the date of completion of the Yikang Acquisition which took place on 9 February 2022.

The fair value of the contingent consideration payable as at 9 February 2022 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 fair value of such contingent arrangement of RMB5,793,000 as at the end of the reporting period is expected to be paid in 2024 and has been presented separately on the consolidated statement of financial position.

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) Acquisition of business for the year ended 31 December 2022 *(Continued)*

(ii) On 28 October 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 Guangdong Juncheng Fangyuan Property Service Co., Ltd. (formerly known as Guangdong Juncheng Property Service Co., Ltd.) (the "Juncheng Acquisition") at a cash consideration of RMB5,100,000. Juncheng is principally engaged in the provision of property management services. The Juncheng Acquisition can allow the Group to provide high quality property management services to customers. The Group obtained control over Juncheng on the date of completion of the Juncheng Acquisition which took place on 31 January 2022.

(iii) On 31 August 2022, the Group had acquired 100% of the equity interests in Guiping Yuegui Huacheng Property Service Co., Ltd. from independent third parties at a cash consideration of RMB400,000 (the "YG Acquisition"). Yuegui is principally engaged in the provision of property management services. The YG Acquisition added new project in Guangxi province into the Group's property management services. The Group obtained control over Yuegui on the date of completion of the YG Acquisition. The YG Acquisition was completed on 31 August 2022.

(iv) 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:

	Yikang *RMB'000*	Juncheng *RMB'000*	Yuegui *RMB'000*	Total *RMB'000*
Purchase consideration				
Cash paid	17,199	5,100	400	22,699
Contingent consideration	5,793	–	–	5,793
	22,992	5,100	400	28,492

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) Acquisition of business for the year ended 31 December 2022 *(Continued)*

(iv) *(Continued)*

	Yikang *RMB'000*	Juncheng *RMB'000*	Yuegui *RMB'000*	Total *RMB'000*
Recognised amounts of identifiable assets acquired and liabilities assumed				
Property, plant and equipment *(Note 15)*	814	304	42	1,160
Construction in progress *(Note 15)*	14	–	–	14
Deferred tax assets *(Note 12(c))*	–	11	–	11
Other intangible asset *(Note 27)*	6,000	–	–	6,000
Trade receivables	1,134	2,978	–	4,112
Amount due from a fellow subsidiary	9,000	–	–	9,000
Prepayments, deposits and other receivables	3,227	8,620	610	12,457
Cash at banks and in hand	3,072	992	355	4,419
Trade payables	(25)	(223)	–	(248)
Amounts due to fellow subsidiaries	–	(1,076)	–	(1,076)
Amount due to a non-controlling interest	(1,647)	–	–	(1,647)
Accruals and other payables	(5,238)	(1,052)	(2,415)	(8,705)
Contract liabilities *(Note 23(i))*	(5,941)	(1,889)	(215)	(8,045)
Deferred tax liabilities *(Note 12(c))*	(1,500)	–	–	(1,500)
Total identifiable net assets/ (liabilities)	8,910	8,665	(1,623)	15,952
Less: Non-controlling interests	(3,564)	(4,267)	–	(7,831)
Net assets acquired	5,346	4,398	(1,623)	8,121
Goodwill *(Note 26)*	17,646	702	2,023	20,371
Total consideration	22,992	5,100	400	28,492
Net cash outflows arising from the acquisitions				
Total cash consideration paid	17,199	5,100	400	22,699
Less: cash consideration paid in prior year	(8,600)	(1,000)	–	(9,600)
Cash consideration paid in the current year	8,599	4,100	400	13,099
Cash at banks and in hand acquired	(3,072)	(992)	(355)	(4,419)
Net cash outflows on acquisitions	(5,527)	(3,108)	(45)	(8,680)

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) Acquisition of business for the year ended 31 December 2022 *(Continued)*

Acquisition-related costs of RMB93,000 have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2022.

The trade receivables, other receivables and amount due from a fellow subsidiary acquired with a fair value of RMB25,045,000 as at the date of acquisitions had gross contractual amounts of RMB25,097,000. The best estimate at acquisition date of contractual cash flows not expected to be collected amounted to RMB52,000.

The fair value of other intangible asset 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 of the acquiree. The key assumptions in determining the fair value of customer relationship 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.

Impact of acquisition on the results of the Group

Since the acquisition dates, Yikang, Juncheng and Yuegui in aggregate have contributed RMB45,089,000 and RMB2,270,000 to the Group's revenue and profit for the year respectively. If the acquisition had occurred on 1 January 2022, the Group's revenue and profit would have been RMB516,431,000 and RMB32,031,000 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 2022, nor is it intended to be a projection of future performance.

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) Acquisition of business for the year ended 31 December 2021

(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 cash consideration of RMB68,000,000. 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 cash consideration of RMB4,500,000 (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 cash consideration of RMB255,000 (the "JC Acquisition"). Jichuang Community is principally engaged in the provision of community value-added 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.

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) Acquisition of business for the year ended 31 December 2021 *(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 in cash. 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.

As at 31 December 2022, contingent consideration of RMB6,186,000 has been paid as the condition precedent of operating profit target for 2021 was fulfilled. The condition precedent of operating profit target for 2022 was also fulfilled. The balance of the consideration of RMB5,722,000 is expected to be paid in 2024. As the actual net profit for the year ended 31 December 2022 met the 2022 guaranteed profit, the consideration (second instalment) was added by RMB141,000 and recognised as fair value loss on contingent consideration payable set out in Note 8.

(v) These acquisitions had 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

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) Acquisition of business for the year ended 31 December 2021 *(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
Total consideration	68,000	4,500	255	24,023	96,778

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) Acquisition of business for the year ended 31 December 2021 *(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 inflows/ (outflows) 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 inflows/(outflows) on acquisitions	1,795	(4,484)	(187)	(6,667)	(9,543)

Acquisition-related costs of RMB4,022,000 were 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.

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) Acquisition of business for the year ended 31 December 2021 *(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 had contributed RMB309,325,000 and RMB19,148,000 to the Group's revenue and profit for the year respectively. 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 was for illustrative purposes only and was 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 was it intended to be a projection of future performance.

(c) Acquisition of a subsidiary under asset acquisition for the year ended 31 December 2021

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 cash consideration of RMB530,000 (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 were of the opinion that the JB acquisition did not constitute business combination as defined in HKFRS 3, and accordingly, the acquisition had been accounted for as asset acquisition. At the acquisition date, Jinbao Security had 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)

37. NON-CONTROLLING INTERESTS

Particulars of material non-controlling interests ("NCI") are as follows:

	Ownership interests held by non-controlling interests	
Name of subsidiary	**2022**	2021
Fineland E-Life	**31.73%**	33.69%
Ji Yang Hong	**49%**	49%
Yikang	**40%**	–

In 2022, Guangzhou Fangrun Living Service Co., Ltd. further acquired approximately 1.96% of the equity interests in Fineland E-life, and the equity interests held by NCI decreased from 33.69% to 31.73%.

The NCI of all other subsidiaries that are not 100% owned by the Group are considered to be immaterial.

37. NON-CONTROLLING INTERESTS *(Continued)*

Summarised financial information in relation to the material NCI, before intra-group eliminations, is presented below:

(a) Fineland E-Life

	2022 *RMB'000*	2021 *RMB'000*
For the year ended 31 December		
Revenue	**321,006**	295,458
Profit for the year	**15,778**	18,616
Total comprehensive income	**15,778**	18,616
Profit allocated to NCI	**7,893**	7,954
Dividends paid to NCI	**1,000**	1,000
For the year ended 31 December		
Cash flows from operating activities	**(41,175)**	(934)
Cash flows from investing activities	**849**	(1,377)
Cash flows from financing activities	**33,539**	(567)
Net cash outflows	**(6,787)**	(2,878)

	2022 *RMB'000*	2021 *RMB'000*
As at 31 December		
Current assets	**313,475**	232,036
Non-current assets	**34,609**	37,491
Current liabilities	**211,883**	146,623
Non-current liabilities	**6,063**	7,544
Net assets	**130,138**	115,360
Accumulated NCI	**46,796**	42,225

37. NON-CONTROLLING INTERESTS *(Continued)*

(b) Ji Yang Hong

	2022 RMB'000	2021 RMB'000
For the year ended 31 December		
Revenue	**36,602**	8,977
Profit for the year	**6,740**	1,143
Total comprehensive income	**6,740**	1,143
Profit allocated to NCI	**3,303**	560
Dividends paid to NCI	**–**	–
For the year ended 31 December		
Cash flows from operating activities	**(1,071)**	1,819
Cash flows from investing activities	**82**	(500)
Cash flows from financing activities	**–**	–
Net cash (outflows)/inflows	**(989)**	1,319

	2022 RMB'000	2021 RMB'000
As at 31 December		
Current assets	**24,149**	14,200
Non-current assets	**2,548**	2,883
Current liabilities	**13,994**	11,120
Non-current liabilities	**–**	–
Net assets	**12,703**	5,963
Accumulated NCI	**6,225**	2,922

37. NON-CONTROLLING INTERESTS *(Continued)*

(c) Yikang

	2022 *RMB'000*
For the period ended 31 December	
Revenue	32,089
Profit for the period	2,185
Total comprehensive income	2,185
Profit allocated to NCI	874
Dividends paid to NCI	–
For the period ended 31 December	
Cash flows from operating activities	4,196
Cash flows from investing activities	(28)
Cash flows from financing activities	–
Net cash inflows	4,168

	2022 *RMB'000*
As at 31 December	
Current assets	38,606
Non-current assets	8,465
Current liabilities	34,820
Non-current liabilities	1,156
Net assets	11,095
Accumulated NCI	4,438

Acquisition of additional interests in a subsidiary

During the period from January 2022 to July 2022, the Group acquired additional 1.96% of the equity interests in Fineland E-life at a cash consideration of RMB2,191,000. Following the acquisition, the Group had approximately 68.27% ownership interests. The transaction has been accounted for as an equity transaction with the non-controlling interests as follows:

	2022 *RMB'000*
Consideration paid for 1.96% ownership interests	2,191
Carrying amount of non-controlling interests acquired	(2,322)
Increase in equity attributable to owners of the Company (included in capital reserve)	131

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38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2022 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	Effective interest held by the Company 2022	2021	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

38. 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	Effective interest held by the Company 2022	Effective interest held by the Company 2021	Principal activities
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 Living 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
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%	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%	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	68%	66%	Provision of professional property management services and value-added services to non-property owners
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%	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%	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	0%	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	68%	66%	Provision of security services

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FOR THE YEAR ENDED 31 DECEMBER 2022

38. 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	Effective interest held by the Company 2022	Effective interest held by the Company 2021	Principal activities
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	RMB1,000,000	RMB500,000	68%	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	68%	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	68%	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	68%	66%	Provision of property management services
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	68%	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	68%	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	68%	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	68%	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	68%	66%	Provision of property management services

38. 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	Effective interest held by the Company 2022	Effective interest held by the Company 2021	Principal activities
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	68%	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	68%	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	68%	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	68%	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	RMB510,000	68%	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	68%	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	68%	66%	Provision of community value-added services
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	68%	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	68%	66%	Provision of property management services

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FOR THE YEAR ENDED 31 DECEMBER 2022

38. 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	Effective interest held by the Company 2022	Effective interest held by the Company 2021	Principal activities
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	68%	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	68%	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	68%	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	68%	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	68%	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	68%	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	68%	66%	Provision of property management services
Guangzhou Weiyao Business Service Co., Ltd.* 廣州微臻商務服務有限公司	The PRC 6 May 2022 Limited liability company	The PRC	RMB500,000	RMBNil	68%	–	Provision of community value-added services
Guangzhou Juncheng Fangyuan Property Services Co., Ltd.* 廣州筠城方圓物業服務有限公司	The PRC 3 March 2020 Limited liability company	The PRC	RMB10,000,000	RMB10,000,000	51%	–	Provision of property management services

38. 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	Effective interest held by the Company 2022	2021	Principal activities
Guangdong Yikang Property Service Co., Ltd.* 廣東益康物業服務有限公司	The PRC 2 November 2010 Limited liability company	The PRC	RMB5,000,000	RMB5,000,000	60%	–	Provision of property management services
Dongguan Yiyuankang Property Service Co., Ltd.* 東莞市益元康物業服務有限公司	The PRC 29 December 2021 Limited liability company	The PRC	RMB500,000	RMBNil	60%	–	Provision of property management services
Dongguan Lizhen Property Service Co., Ltd.* 東莞市利貞物業服務有限公司	The PRC 25 July 2022 Limited liability company	The PRC	RMB500,000	RMBNil	60%	–	Provision of property management services
Meizhou Yirunkang Property Service Co., Ltd.* 梅州市益潤康物業服務有限公司	The PRC 4 August 2022 Limited liability company	The PRC	RMB500,000	RMBNil	60%	–	Provision of property management services
Guiping Yuegui Huacheng Property Service Co., Ltd.* 桂平市粵桂花城物業服務有限公司	The PRC 13 June 2006 Limited liability company	The PRC	RMB500,000	RMB500,000	60%	–	Provision of property management services
Dongguan Hengyuantai Property Service Co., Ltd.* 東莞市恒元泰物業服務有限公司	The PRC 25 July 2022 Limited liability company	The PRC	RMB500,000	RMBNil	60%	–	Provision of property management services
Meizhou Yiyuankang Property Service Co., Ltd.* 梅州市益元康物業服務有限公司	The PRC 20 August 2021 Limited liability company	The PRC	RMB500,000	RMBNil	60%	–	Provision of property management services
Guangzhou Hengyuanchang Property Service Co., Ltd.* 廣州市恒源昌物業服務有限公司	The PRC 8 August 2022 Limited liability company	The PRC	RMB500,000	RMBNil	60%	–	Provision of property management services

* The English translated names are for identification purpose only.

This subsidiary has been disposed of during the year ended 31 December 2022 (Note 40).

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

38. 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 2022	2021
Investment holding	The PRC	**1**	1
Inactive	The PRC	**13**	12

39. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	2022 *RMB'000*	2021 *RMB'000*
Non-current asset		
Interests in subsidiaries	**14,008**	14,340
Current asset		
Bank balances and cash	**36**	27
Current liabilities		
Accruals and other payables	**1,429**	1,655
Amounts due to subsidiaries	**18,446**	13,431
Total current liabilities	**19,875**	15,086
Net current liabilities	**(19,839)**	(15,059)
Total assets less current liabilities	**(5,831)**	(719)
Net liabilities	**(5,831)**	(719)
Capital and reserves		
Share capital	**3,403**	3,403
Reserves *(Note)*	**(9,234)**	(4,122)
Total deficits	**(5,831)**	(719)

Approved and authorised for issue by the board of directors on 30 March 2023.

Han Shuguang
Executive Director

Yi Ruofeng
Executive Director

39. 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 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 and 1 January 2022	51,677	922	1,129	(57,850)	(4,122)
Loss for the year	–	–	–	(4,738)	(4,738)
Other comprehensive income					
Exchange differences on translation to presentation currency	–	–	(374)	–	(374)
Total comprehensive income for the year	–	–	(374)	(4,738)	(5,112)
As at 31 December 2022	51,677	922	755	(62,588)	(9,234)

40. DISPOSAL OF A SUBSIDIARY

On 13 April 2022, the Group entered into a share purchase agreement with its fellow subsidiary, Guangzhou Yingda Investment Consulting Co., Ltd., which is owned as to 100% by the common shareholder, Mr. Fong Ming, the Company's non-executive Director, pursuant to which the Group agreed to sell the entire equity interests in a subsidiary, Guangzhou Fangheng Technology Co., Ltd. ("Fangheng Technology"), at a cash consideration of RMB2,400,000. The details of the acquisition of Fangheng Technology on 15 July 2021 are set out in Note 36(b)(ii). The disposal of Fangheng Technology was completed on 13 April 2022 (the "Date of Disposal"). The net liabilities of Fangheng Technology at the Date of Disposal were as follows:

	RMB'000
Property, plant and equipment *(Note 15)*	2,380
Other intangible asset *(Note 27)*	486
Trade receivables	97
Amounts due from fellow subsidiaries	5,256
Amounts due from related companies	467
Prepayments, deposits and other receivables	2,930
Cash at banks and in hand	4
Trade payables	(402)
Amounts due to fellow subsidiaries	(8,995)
Accruals and other payables	(2,309)
Contract liabilities	(173)
Deferred tax liabilities *(Note 12(c))*	(73)
Net liabilities	(332)
Goodwill *(Note 26)*	4,058
Net assets disposed of	3,726
Loss on disposal *(Note 8)*	(1,326)
Total cash consideration	2,400
Net cash outflow arising from the disposal:	
Cash consideration received	–
Less: Consideration receivable from the purchaser included in other receivables as at 31 December 2022	(2,400)
Consideration received by cash in the current year	–
Less: Cash at banks and in hand disposed of	(4)
Net cash outflow on disposal	(4)

41. 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.

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 2021 and 2022, there were no share options granted, exercised, cancelled or lapsed under the Scheme.

42. EVENTS AFTER THE REPORTING DATE

There were no material events requiring disclosure after the reporting date.

FIVE YEARS FINANCIAL SUMMARY

	For the year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Results					
Revenue	**511,945**	571,408	276,725	256,275	228,903
Profit before income tax	**30,672**	31,293	21,992	32,350	41,396
Income tax	**1,040**	(2,028)	(10,317)	(9,933)	(11,280)
Profit for the year	**31,712**	29,265	11,675	22,417	30,116

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets and liabilities					
Total assets	**573,838**	454,171	219,913	210,398	178,920
Total liabilities	**(336,331)**	(249,121)	(77,857)	(81,803)	(72,635)
Net assets	**237,507**	205,050	142,056	128,595	106,285

Note:

The summary above does not form part of the audited consolidated financial statements.