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: 8376)

2019 ANNUAL RESULTS ANNOUNCEMENT

The board (the "**Board**") of directors (the "**Directors**") of Fineland Real Estate Services Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019. This announcement, containing the full text of the 2019 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**GEM Listing Rules**") in relation to information to accompany preliminary announcement of annual results. The printed version of the Company's 2019 Annual Report will be delivered to shareholders of the Company and will be available for viewing on the websites of the Company and the Stock Exchange in due course.

By order of the Board of
Fineland Real Estate Services Group Limited
FONG Ming
Chairman

Hong Kong, 24 March 2020

As at the date of this announcement, the executive Directors are Ms. RONG Haiming, Mr. YI Ruofeng and Ms. TSE Lai Wa; the non-executive Director is Mr. FONG Ming; and the independent non-executive Directors are Mr. LEUNG Wai Hung, Mr. LIAO Junping, Mr. TIAN Qiusheng and Mr. DU Chenhua.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this announcement misleading.

This announcement will remain on the "Latest Listed Company Information" page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days from the day of its posting. This announcement will also be published on the website of the Company at www.finelandassets.com.

THINK

MORE,

FOR YOU

ANNUAL REPORT

2019

方圓

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: 8376

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

*This report, for which the directors (collectively the "**Directors**" and individually a "**Director**") of Fineland Real Estate Services Group Limited (the "**Company**", together with its subsidiaries, collectively the "**Group**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

*This report will be available on the Company's website **www.finelandassets.com** and will remain on the "Latest Listed Company Information" page on the GEM website at **www.hkgem.com** for at least 7 days from the date of its posting.*

FINELAND REAL ESTATE SERVICES GROUP LIMITED
ANNUAL REPORT 2019

CONTENTS

CORPORATE INFORMATION	2
CHAIRMAN'S STATEMENT	3
MANAGEMENT DISCUSSION AND ANALYSIS	5
BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT	13
CORPORATE GOVERNANCE REPORT	22
DIRECTORS' REPORT	33
INDEPENDENT AUDITOR'S REPORT	46
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	50
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	51
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	52
CONSOLIDATED STATEMENT OF CASH FLOWS	53
NOTES TO THE FINANCIAL STATEMENTS	54
FIVE YEARS FINANCIAL SUMMARY	98

CORPORATE INFORMATION

Board of Directors

Executive Directors

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. DU Chenhua
Mr. TIAN Qiusheng

Company secretary

Mr. TSO Ping Cheong, Brian

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

Ms. RONG Haiming *(Chairman)*
Mr. LIAO Junping
Mr. TIAN Qiusheng

Authorised representatives

Mr. TSO Ping Cheong, Brian
Mr. YI Ruofeng

Compliance officer

Mr. YI Ruofeng

Legal Advisers

As to Hong Kong Laws
Hogan Lovells

As to PRC Laws
Beijing Jingtian & Gongcheng Law Firm

Compliance Adviser

RaffAello Capital Limited

Auditor

BDO Limited

Principal bankers

Industrial Bank Company Limited,
Guangzhou Tianhe branch

Industrial and Commercial Bank of China,
Guangzhou Liuhua branch

China Construction Bank,
Guangzhou Dongbao Building branch

Registered office

P.O. Box 1350
Clifton House
75 Fort Street
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

9/F, Wah Yuen Building
149 Queen's Road Central
Central
Hong Kong

Hong Kong Share Registrar

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

Principal share registrar and transfer office

Estera Trust (Cayman) Limited
P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman
KY1–1108
Cayman Islands

Company's website address

www.finelandassets.com

CHAIRMAN'S STATEMENT

In 2019, the Chinese central government made clear statements or published regulatory policies on the real estate market approximately 48 times, and regulatory policies released nationally recorded a high of about 620 times. The market regulations were intended to reduce volatility, and targeted stable land prices, stable property prices, and stable price expectations. The credit level was also gradually tightened, and overall, the real estate market was stable.

In the first quarter of 2019, the volume of transactions dropped compared to the first quarter of 2018 in tier-3 and tier-4 cities, as the work force returned to their hometowns during Spring Festival holidays and the market subsequently warmed up in March. In the second quarter, several major cities released regulatory policies which supported steady demand while avoiding signs of overheating the property market. In the second half of 2019, real estate developers gradually increased supply, and year-on-year performance showed a slow recovery. July and August were the traditional slow season, and together with the tightening of credit channels after the meeting of Political Bureau of the CPC Central Committee on 30 July 2019, the market slumped. It picked up again in September due to marketing campaigns by real estate developers and the last quarter saw a peak in supply, while performance rose quarter-on-quarter. According to the National Bureau of Statistics of the People's Republic of China, transaction volume reached a total of approximately RMB15,973 billion nationally for 2019, representing a year-on-year growth of 6.5%.

The commodity housing market in Guangdong showed rather strong resilience and stable development during the year. Transaction volume reached a total of approximately RMB1,975 billion in Guangdong for 2019, representing a year-on-year growth of 5.4%, in which transaction volume of commercial residential properties reached RMB1,676 billion, representing a year-on-year growth of 7.5%. Growth in price was seen in six out of nine cities in the Greater Bay Area in Guangdong.

With respect to prevailing market conditions, the Group delivered rather satisfactory results in 2019, where total revenue amounted to approximately RMB256.3 million in 2019, representing an increase of approximately 12.0%, from RMB228.9 million in 2018.

Diversification of Customer Base and Expansion of Market Coverage

The Group has a well-established network and business relationships with a diversified client base of property developers. The ratio of the Group's independent customers increased from 79.1% for the year ended 31 December 2018 to 85.4% for the year ended 31 December 2019. The Group expects to further upgrade its services and continue marketing to other customers who are independent third parties to further diversify the client base, and the proportion of independent customers is expected to increase going forward.

With the focus of being a real estate agency services provider, the Group has been trusted as the primary property sales agency by additional prestigious China Real Estate Top 100 Enterprises, and market coverage has expanded further in 2019 to seven out of nine cities in Guangdong-Hong Kong-Macao Greater Bay Area ("**Greater Bay Area**") in mainland China, including Guangzhou, Foshan, Jiangmen, Huizhou, Zhaoqing, Zhongshan and Zhuhai. While strengthening its position in the existing market, the Group will strive to expand into new markets.

Online Referral Platform is Winning the Market

At the "Embracing the future 2020" press conference, Mr. Ding Zuyu, CEO of E-House (2048.HK), shared his view that the conventional sales method was ceasing to be effective on its own, and channeling (referring to bringing in buyers through real estate agents, outlets and other non-traditional methods) was quickly becoming the main driving force in the industry, with over 50% of transactions sourced through channeling.

CHAIRMAN'S STATEMENT

The Group has leveraged its non-traditional capabilities in providing online property referral and agency services through the Online Referral Platform, which has established stable cooperation relationships with a number of prestigious China Real Estate Top 100 Enterprises, undertaken projects covering most cities of the Greater Bay Area and other cities in Guangdong, and cooperated with more than 1,500 independent real estate agents and outlets since its acquisition in May 2016. For the year ended 31 December 2019, revenue recorded from online property referral and agency services increased from approximately RMB79.6 million, or 34.8% of total revenue for the year ended 31 December 2018, to approximately RMB126.4 million, representing 49.3% of total revenue for the year ended 31 December 2019.

Flexible Allocation of Secondary Property Agency Resources

Due to prevailing market conditions, the Group has strategically shifted resources from the development of secondary property agency services to the expansion and development of primary property agency services. This was implemented in part by slowing down the pace of opening new outlets and closing down or not renewing leases upon expiry for outlets which were less competitive in terms of cost and revenue generated. As at 31 December 2019, the Group had 40 outlets of which 33 outlets were in Guangzhou, four were in Heshan, and one in each of Qingyuan, Foshan, and Huizhou, which are other cities in the Greater Bay Area or Guangdong Province. While maintaining market share in the existing areas, the Group facilitates the interaction between the primary and secondary property agency businesses in a win-win situation while positively responding to market changes.

The Group will continue to offer professional real estate agency services while integrating social media promotions, offline resources and its Online Referral Platform to improve conversion rate for real estate developers and agents with whom it cooperates. With sophisticated industry experience in the agency services business, the Group will endeavor to improve profitability, ensure a solid financial position and create favourable outcomes with all clients, customers, employees and other stakeholders.

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.

FONG Ming
Chairman

Hong Kong, 24 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group engages in property agency services, with a focus mainly in Guangzhou and also elsewhere in the Greater Bay Area, through three main business segments, namely (i) real estate agency services (including online property referral and agency services); (ii) property research and consultancy services; and (iii) integrated services. Our business strategy is to expand our real estate agency services, enhance the Group's brand recognition and expand our integrated services, in particular our *Zhaoshangyi* and One-stop Service Centre offerings.

The Group's total revenue amounted to approximately RMB256.3 million in 2019, representing an increase of approximately 12.0%, from RMB228.9 million in 2018.

Property research and consultancy services

Our property research and consultancy services are for the primary property market and mainly provided to property developers and generally includes macroeconomic analysis of the market and developing overall strategies for projects. The revenue generated from property research and consultancy services for the year ended 31 December 2019 was approximately RMB1.4 million, which accounted for 0.6% of the total revenue and decreased by 54.5% compared with RMB3.1 million for the year ended 31 December 2018. This was because the Group was engaged to provide these services for fewer projects during the year ended 31 December 2019, namely 11, representing a drop of 65.6% compared with 32 projects in 2018, but the impact was partially offset by the increase in average revenue generated from each project.

Real estate agency services

Revenue generated from real estate agency services accounted for 98.7% of the total revenue for the year ended 31 December 2019, and thus is the largest business segment of the Group. Our real estate agency services are provided for the primary market, secondary market and online. The real estate agency service turnover increased by approximately 12.6% to approximately RMB252.9 million for the year ended 31 December 2019 when compared with RMB224.6 million for the year ended 31 December 2018. This increase was primarily due to the growth and expansion of online property referral and agency services.

For primary market real estate agency services, the Group has been actively building up relationships with primary property developers. The Group provided agency services for 229 projects for the year ended 31 December 2019 (year ended 31 December 2018: 232). With the same number of projects, revenue contributed from online property and referral service is usually higher than traditional real estate agency services, and the number of projects that utilised online property and referral services increased from 37 for the year ended 31 December 2018 to 56 for the year ended 31 December 2019.

The online property referral and agency services is an online platform for information exchanging and matching for primary property development projects that connects the property developers with a greater number of third party real estate agencies that have been cooperating with the Group. It tends to be used for projects that may have a lower level of market interest where property developers are typically willing to pay a higher commission, such as projects in non-prime locations. By using the Group's online property referral and agency services, property developers are able to reach a greater number of real estate agencies, and in turn, a larger market of potential buyers. Revenue recorded from online property referral and agency services increased from approximately RMB79.6 million for the year ended 31 December 2018 to RMB126.4 million for the year ended 31 December 2019, which was primarily due to the increase in the number of projects utilising the platform from 37 for 2018 to 56 for 2019, representing an increase of approximately 51.4% and the larger scale of certain new projects in terms of gross floor area (GFA) or number of units.

MANAGEMENT DISCUSSION AND ANALYSIS

After continuous efforts, the Group's business in the primary real estate market has expanded to cover seven out of the nine cities of the Greater Bay Area in Guangdong, and has also entered Guilin market in Guangxi Province as of 31 December 2019. In the foreseeable future, the Group will further explore opportunities in other cities of the Greater Bay Area and outside Guangdong Province, with an aim to seize and grab more market share in those markets.

Due to the prevailing market conditions, including the implementation of tightened policies and limitations on purchases and loans, and the resulting decrease in demand in the secondary property market compared to the demand in the primary property market, the Group adjusted from secondary property agency services to focus more resources on the expansion and development of primary property agency services. This was implemented in part by slowing down the pace of opening of new outlets. For the year ended 31 December 2019, the Group opened six new outlets.

Integrated services

The Integrated Services segment refers to the wide range of value-added services provided to customers including property developers, individual customers and companies. These include the Group's *Zhaoshangyi* offering, which assists property developers with primary market development projects that have commercial units identify and approach prospective lessees. The Group also offers the One-stop Service Centre where a variety of value-added services such as rent collection, property repair and maintenance, and design and furnishing are provided to purchasers. Revenue generated from Integrated Services for the year ended 31 December 2019 increased by 73.3% to approximately RMB2.0 million compared with RMB1.1 million in 2018.

Zhaoshangyi

The Group's *Zhaoshangyi* business focuses on the leasing of commercial units in primary market development projects. The Group receives a fee based on a multiplier of the monthly rent for commercial units from the property developers. For the year ended 31 December 2019, revenue generated from *Zhaoshangyi* amounted to approximately RMB0.7 million, representing an increase of approximately 80.0% compared with approximately RMB0.4 million for the year ended 31 December 2018, which was primarily due to a large contribution from one new project the Group handled where a tenant entered into a lease for particularly large units.

One-stop services

The Group's One-stop Service Centre business provides value-added services such as rent collection, property repair and maintenance and design and furnishing services as well as assisting purchasers to obtain ownership certificates and apply for mortgages from banks. These services are primarily targeted towards individual customers. For the year ended 31 December 2019, revenue generated from the One-stop Service Centre services was approximately RMB1.2 million, representing an increase of approximately 68.5% compared with approximately RMB0.7 million for the year ended 31 December 2018, as demand for these ancillary services had increased slightly.

Comparison of business strategies with actual business progress

An analysis comparing the future plans contained in the Prospectus and subsequently revised in the announcement issued dated 8 August 2018 (the "**Announcement**") with the Group's actual business progress since the Listing is set out in the following table:

Business strategies and implementation as stated in the Announcement	Actual business progress up to 31 December 2019
Expand our secondary market real estate agency services by opening more outlets and employing more sales staff in Guangzhou and continue to expand our primary market real estate agency services by enhancing our relationship with property developers	The Group opened 6 outlets, of which 3 outlets were in Guangzhou and 3 were in other cities in Guangdong.(1) The Group also hired 430 sales staff, among which 361 were primary real estate sales staff and 69 were secondary real estate sales staff. The Group also hired 34 sales staff for our online property referral and agency service platform.(2) Focusing on establishing business relationships with well-known developers who have newly entered the real estate market in the Greater Bay Area while enhancing well-established relationships with primary property developers the Group has previously partnered with. The Group has set up a business development team comprising three employees as at 31 December 2019, who are responsible for promoting the Group's primary market real estate agency services to property developers and procuring projects from them. They have successfully obtained additional primary property projects by liaising with existing property developers where the Group had existing cooperation, and by establishing new relationships.
Further enhance our Group's brand recognition by engaging in various marketing strategies	Increase number of followers by launching several series of WeChat posts, running promotional activities on the Group's WeChat public account, etc. Made donations and enhanced close cooperation with colleges in training programs. Participated in industry events and ranking campaigns for industry players. Produced and distributed merchandise bearing the brand mascot image and enhanced the promotional official website content.
Expand our Integrated Services business segment, in particular our Zhaoshangyi and One-stop Service Centre offering	The Group employed 10 employees for the integrated services business segment during 2019. There was a 73.3% increase in revenue generated compared with the year ended 31 December 2018; the Group has and will continue to monitor market conditions and potential cooperation opportunities, and take business actions in due course.

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. The Group also closed certain outlets in certain areas that were no longer profitable in response to market conditions. As at 31 December 2019, the total number of outlets was 40.

2. Due to the Group's focus on expanding primary market real estate agency services, additional primary property sales staff were hired for direct marketing efforts targeted at property developers. There has been less emphasis on secondary property sales staff as the demand for real estate agency services in the secondary property market has weakened. As at 31 December 2019, the number of primary sales staff was 406, the number of secondary sales staff was 177 and the number of online property referral and agency service platform sales staff was 42.

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2019 was approximately RMB256.3 million, representing an increase of approximately 12.0% as compared to RMB228.9 million for the year ended 31 December 2018. The increase was primarily attributable to the expansion of real estate agency services, especially online property referral and agency business in terms of covered business areas and numbers of business partners, and revenue generated from this segment increased to approximately RMB252.9 million, representing an increase of 12.6% compared to RMB224.6 million in 2018.

Employee benefit expenses

Employee benefit expenses increased slightly by 3.0% to approximately RMB104.6 million for the year ended 31 December 2019, compared with RMB101.5 million for the year ended 31 December 2018, which was primarily due to the increase in numbers of total employees hired during the year ended 31 December 2019, and newly hired employees with higher qualifications.

Operating lease charges

For the year ended 31 December 2018, the Group recorded operating lease charges in respect of office and shop premises of approximately RMB12.1 million. Due to the adoption of revised HKFRS 16, the Group then recorded short term leases expenses of approximately RMB3.1 million for the year ended 31 December 2019, representing a decrease of approximately 74.1% when compared to operating lease charges in respect of office and shop premises for the year ended 31 December 2018.

Listing expenses

The Group recorded expenses of approximately RMB4.2 million for the year ended 31 December 2019 for professional fees relating to its application for the transfer of listing from GEM to the Main Board, compared to nil for the year ended 31 December 2018.

Liquidity and Financial Resources

In 2018 and in 2019, the Group's source of funds was mainly cash generated from operating activities.

As at 31 December 2019, the Group had net current assets of approximately RMB122.5 million (as at 31 December 2018: approximately RMB104.2 million), total assets of approximately RMB210.4 million (as at 31 December 2018: approximately RMB178.9 million) and shareholders' funds of approximately RMB128.1 million (at 31 December 2018: approximately RMB106.3 million).

As at 31 December 2019, the bank and cash balances of the Group amounted to approximately RMB98.7 million (at 31 December 2018: approximately RMB109.8 million).

Indebtedness and Charge on Assets

The Group did not have any short term borrowings (2018: RMBNil) nor long term borrowings (2018: RMBNil) as at 31 December 2019.

As at 31 December 2019, the gearing ratio of the Group (calculated as total liabilities divided by total assets) was 39% (2018: 41%).

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 dollar, 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. However, the management continuously monitors the foreign exchange risk exposure and will consider hedging significant currency risk exposure should the need arise.

Interest Rate Risk

The Group's exposure to interest rate risk mainly stemmed from fluctuations of interest rates for the Group's bank balances, as the Group had no bank borrowings as at 31 December 2019.

Financial key performance indicators

	2019	2018
Net profit margin	**8.7%**	13.2%
Gearing ratio	**39%**	41%

Net Profit Margin

The net profit margin decreased to 8.7% for the year ended 31 December 2019 as compared to 13.2% for the year ended 31 December 2018. This decrease was mainly due to (i) an increase in advertising, promotion and other commission expenses from approximately RMB68.5 million for the year ended 31 December 2018 to approximately RMB95.4 million for the year ended 31 December 2019 due to expansion of online property referral and agency services; (ii) approximately RMB3.0 million of government grants was recorded for the year ended 31 December 2018, while there were no such government grants for the year ended 31 December 2019; and (iii) listing expenses of approximately RMB4.2 million was incurred for the year ended 31 December 2019 for the Group's transfer of listing application, while no such listing expenses were incurred for the year ended 31 December 2018.

Gearing Ratio

The gearing ratio decreased slightly to 39% as at 31 December 2019, as compared to 41% as at 31 December 2018, which was mainly due to the business expansion and the subsequent increase of trade receivables along with a lower rate of increase in current liabilities.

Staff and the Group's Remuneration Policy

As at 31 December 2019, the Group had a total of 719 staff (2018: 809 staff).

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

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

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 (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.

Major Investments

For the year ended 31 December 2019, no significant investment was held by the Group. As at the date of this annual report, save for the plans under "Use of Proceeds from the Company's initial public offering", the Group had no future plans for material investments or capital assets.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2019 (2018: RMBNil).

Capital Commitments

The Group had approximately RMB0.4 million capital commitments as at 31 December 2019 (2018: RMB0.4 million).

The Group did not acquire or dispose of any major subsidiaries or affiliated companies during the year ended 31 December 2019 (2018: Nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's business is heavily dependent on the state of the real estate market in Guangzhou and elsewhere in the Greater Bay Area.

The Group is an established real estate agency in Guangzhou and elsewhere in the Greater Bay Area and is heavily dependent on the growth of the real estate market in this region. As one of the Group's business strategies is to strengthen its established position in Guangzhou and elsewhere in the Greater Bay Area, any adverse movements in the supply of, or demand for, properties in this area, or in prices paid for such properties, may have a material adverse effect on the Group's business, results of operations, and financial position.

Demand for properties and property prices in Guangzhou and elsewhere in the Greater Bay Area are expected to be affected by macroeconomic control measures implemented by the PRC government from time to time as well as the overall Greater Bay Area development plan. In addition, as the future growth of Guangzhou and other cities of the Greater Bay Area is reliant on the overall Greater Bay Area development plan and its implementation by the PRC government and other stakeholders, the Group's strategy to strengthen its position in this market may be affected and the anticipated future business opportunities may not materialise. If there are any negative changes to the Greater Bay Area development plan, or unsatisfactory, or hindrances to, implementation, the Group's future plans, profitability, and growth may be adversely affected.

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

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

The PRC government exerts considerable influence over the growth and development of the PRC property market through policies and other economic measures, for example, by setting interest rates, controlling the supply of credit by changing bank reserve ratios and implementing lending restrictions, increasing tax and duty on property transfers, and imposing restrictions on foreign investment and currency exchange. The PRC government has also acted to control the supply and demand of land for property development, which could directly impact the Group's business. Recent government measures along these lines have generally been designed to result in downward pricing pressure on the PRC property market and have impacted the buoyancy of the primary and secondary real estate markets in which the Group operates. Further restrictive measures, such as tightening of monetary and credit policy, adopted by the PRC government have had, and may continue to have, a dampening effect on property markets in many areas of the PRC, including Guangzhou and elsewhere in the Greater Bay Area. This, in turn, could have a material adverse effect on the Group's business, results of operations, and financial position.

Competition in the real estate agency business is intense.

The real estate agency business in Guangzhou and elsewhere in the Greater Bay Area is fragmented. Some of the Group's competitors may be better positioned, with greater resources and longer standing relationships. The Group competes with other companies that also provide primary and secondary market real estate agency services and will be susceptible to the local market competition dynamics. A number of the Group's competitors may also offer property research and consultancy services. The intensity of the competition may result in a shortage of quality real estate agents and other employees, increased compensation costs for agents and employees in order to retain them, and lower commission rates in both the primary and secondary markets, any of which could materially and adversely affect the Group's business, results of operations, and financial position. Furthermore, there is no assurance that the Group will be able to hire quality real estate agents or other employees, or find appropriate sites for new outlets. In addition, the developers' use of various integrated sales strategies, such as building their own sales team and having price-off promotions, may negatively affect the industry of real estate agencies. If the Group is unable to respond to changes in market conditions more quickly or more effectively than its competitors or otherwise maintain or enhance its competitiveness, the Group's business, results of operations and financial position could also be adversely affected.

The Group's business could be adversely affected by the cooling of PRC real estate market.

The Group conducts its business primarily in the PRC, thus its operational performance depends substantially on the condition of the PRC real estate market. The PRC real estate market may be affected by local, regional, national and global factors, including economic and financial developments, speculative activities in local markets, demand for and supply of properties, availability of alternative investment choices for property buyers, inflation, government policies, interest rates and the availability of capital, etc. Any adverse developments or cooling of the PRC real estate market due to various reasons, such as the impact of the "Trade War", slowing of the growth of PRC's GDP, and the loosening of government's control of capital outflows from the PRC which may lower the purchasing power or the investment intention of potential buyers, could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

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

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

Since the outbreak of COVID-19, temporary suspension of property development projects and temporary closure of outlets had caused disruption to the Group's operation for a short period of time. The increasing concerns on public health and safety and the impact of COVID-19 on the economy in general may lower the interests of property visits or investment in real estate by potential property buyers, which in turn may have an adverse effect on the Group's business, financial condition and results of operations. The outbreak may also severely affect and restrict the level of economic activity in general as the government may impose regulatory or administrative measures such as quarantining affected areas or other measures to control or contain the outbreak of the infectious disease, which in turn may have a material and adverse effect on the Group's business, financial position and results of operations.

OUTLOOK AND PROSPECTS

The outbreak of COVID-19, which began in late 2019 and was announced as a global health emergency in January 2020 with significant measures taken by the Chinese government and by private sector organisations in early 2020, will have an adverse impact on the livelihood of the people and the economy of the PRC. The PRC real estate market may also be adversely affected resulting from the disruption of the operation of real estate companies and reduced interest in real estate investment due to concerns relating to public health and safety and the economy in general, which will in turn affect the Group's real estate agency business. The Group is an established real estate agency in Guangzhou and elsewhere in the Greater Bay Area, which has been less affected than other areas in China. Since the COVID-19 outbreak, Guangdong Province and other cities in the Greater Bay Area have put in place policies to mitigate the impact of COVID-19 on the real estate market, such as promoting on-line property title registration to avoid face-to-face contact, waiving real estate tax and land use tax for affected industries, and waiving interest in late payment of land grant fee in order to support the resumption of operations of companies in the real estate market. With efforts of all walks of life and the government, it is anticipated that the impact will diminish eventually, and the market will pick up after the outbreak is controlled.

China and the US concluded the Phase I Agreement of the Sino-US trade dispute on 15 January 2020, which is expected to strengthen the economic outlook for China, which should bring some benefits to all the first-tier cities in the country. The development plan for Guangdong-Hong Kong-Macao Greater Bay Area will further roll out, creating jobs, attracting population continuously and more demand for residence. Under the influence of accelerating urbanisation, there is still rigid demand for housing upgrade and improvement. Monetary and fiscal policies are expected to be lenient and supportive of growth. In light of these positive market notes and supportive policies, and combined with increasing demographics and the growing interest in investment, overall market demand is expected to remain strong.

The Group expects a stable economy in 2020, and the Group will continually focus on business development in the Greater Bay Area by building stronger relationships with property developers and undertaking more primary property projects in cities where the Group has already successfully entered and been developing, and continue to focus on the comprehensive property consultancy and agency service as its main business while remaining cautious in relation to market volatility and changes. The Group also considers the online property referral and agency services to be beneficial for maintaining a solid and steady flow of projects for the Group and for raising its profile with property developers, and expects to continue expanding its coverage.

The Group will endeavor to continue its cooperation with property developers and new potential business partners, strive to optimise its business flow, reserve sufficient resources to create strong synergies among different segments, and actively capture growth opportunities. It is expected that the Group will continue to generate stable income, as it advances steadily towards the goal of becoming a leading real estate agency brand in the Greater Bay Area.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board currently consists of eight Directors, comprising three 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					
RONG Haiming (容海明)	43	16 February 2017	January 2016	Providing strategic plans and general management of our Group	none
YI Ruofeng (易若峰)	42	16 February 2017	January 2016	Overseeing the daily operations, administrative, and finance matters of our Group	none
TSE Lai Wa (謝麗華)	64	16 February 2017	April 1997	Providing advice on overall business plans and overseeing strategic matters	none
Non-executive Director					
FONG Ming (方明)	54	16 February 2017	March 1997	Providing strategic advice to our Group	none
Independent non-executive Directors					
LEUNG Wai Hung (梁偉雄)	52	23 October 2017	23 October 2017	Supervising and providing independent judgement to our Board	none
LIAO Junping (廖俊平)	57	23 October 2017	23 October 2017	Supervising and providing independent judgement to our Board	none
TIAN Qiusheng (田秋生)	64	23 October 2017	23 October 2017	Supervising and providing independent judgement to our Board	none
DU Chenhua (杜稱華)	50	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

Ms. RONG Haiming (容海明) ("**Ms. Rong**"), aged 43, 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 Holdings Limited and its subsidiaries (other than the Group) ("**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 Property Consultancy as a general manager, being primarily responsible for providing strategic advice, overseeing the management and administration of the company, and has held the same position since then. Ms. Rong is also currently a director of Fineland Group.

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

Mr. YI Ruofeng (易若峰) ("**Mr. Yi**"), aged 42, was appointed as an Executive Director on 16 February 2017 and is primarily responsible for overseeing the daily operations, administration and finance matters of the Group.

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

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Ms. TSE Lai Wa (謝麗華) ("**Ms. Tse**"), aged 64, was appointed as an Executive Director on 16 February 2017 and is one of the Controlling Shareholders. She joined the Group in April 1997 as a director of Guangzhou Fineland Property Consultancy Limited, 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 Sino-Australia Management College in June 2001.

Non-executive Director

Mr. FONG Ming (方明) ("**Mr. Fong**"), aged 54, is the chairman and was appointed as the Non-executive Director on 16 February 2017. He is one of the founders of the Group and one of the Controlling Shareholders. Mr. Fong is primarily responsible for providing strategic advice to the Group.

Mr. Fong has approximately 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.

Independent Non-executive Directors

Mr. LEUNG Wai Hung (梁偉雄) ("**Mr. Leung**"), aged 52, was appointed as an Independent Non-executive Director on 23 October 2017 and is primarily responsible for supervising and providing independent judgement to the board of directors. Mr. 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 has extensive experience in real estate investment trust ("REIT"). He participated in the IPO setup of the first private sector REIT, Prosperity REIT (stock code: 808) in Hong Kong in 2005 and worked for the manager of Fortune REIT (stock code: 778) as a Finance Director from 2011 to 2012. Fortune REIT was dually listed in both Hong Kong and Singapore. Other than property development, he has also worked as the financial controller of Shougang Concord International Enterprises Company Limited (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 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.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Leung is currently the financial controller of Crown International Corporation Limited (stock code: 727) and an independent non-executive director of Beaver Group (Holding) Company Limited (stock code: 8275).

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 57, was appointed as an Independent Non-executive Director on 23 October 2017 and is primarily responsible for supervising and providing independent judgement to our Board. Dr. Liao is also a member of our nomination committee.

Dr. Liao has more than 34 years of experiences in providing property-related tertiary education. From July 1983 to November 1984, Dr. Liao was a supervision engineer in the infrastructure department of Wuhan Urban Construction Institute* (武漢城市建設學院) and was responsible for overseeing building projects. From December 1984 to October 1992, Dr. Liao was a teacher in the urban management department of Wuhan Urban Construction Institute and participated in founding the urban management and real estate management tertiary education courses of the institute. From October 1992 to May 1995, Dr. Liao was a lecturer in the construction management department of Wuhan Urban Construction Institute. From May 1995 to April 1998, Dr. Liao was a lecturer and then associate professor of the property operations and management courses in the department of economics in Lingnan (University) College, Sun Yat-Sen University* (中山大學嶺南學院). From April 1998 to January 2002, Dr. Liao was an associate professor and deputy head of the business management department of Lingnan (University) College, Sun Yat-Sen University. Since January 2002, Dr. Liao has been serving as an associate professor and afterward, a professor in the business management department of Lingnan (University) College, Sun Yat-Sen University. He is also currently the director of the Centre of Real Estate Studies in Lingnan (University) College, Sun Yat-Sen University.

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

Dr. Liao obtained his bachelor's degree in civil engineering from Zhejiang University* (浙江大學) in 1983, his master's 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.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. TIAN Qiusheng (田秋生) ("**Mr. Tian**"), aged 64, 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 24 years of experiences in providing business and finance related tertiary education. From July 1982 to July 2005, Mr. Tian held different positions in the School of Economics of Lanzhou University, including being the deputy head of the department. Since July 2005, Mr. Tian has held various positions in South China University of Technology, including being the deputy head of the economics and trade department, the general manager of the finance department, and the director of the regional business research centre of the university from July 2015 to June 2017.

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

Mr. Tian is currently an independent non-executive Director of Zhuhai Port Holdings Group Limited, a company listed on the Shenzhen Stock Exchange (stock code: 507), Guangzhou Lingnan Holding JointStock 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 (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), and Guangdong Audiowell Technology Joint-Stock Company Limited* (廣東奧迪威傳感科技股份有限公司) and also an outside director of Guangzhou Wanbao Group Company Limited* (廣州萬寶集團有限公司).

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.

Mr. DU Chenhua (杜稱華) ("**Mr. Du**"), aged 50, 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 of Guangdong Yingdu Law Firm* (廣東瀛杜律師事務所).

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

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.

Disclosure required under Rule 17.50(2) of the GEM Listing Rules

Save as disclosed in this section, each of our Directors confirms with respect to him/her that: (a) he/she has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (b) he/she did not hold other positions in our Company or other members of our Group; (c) he/she did not have any relationship with any other Directors, senior management, substantial shareholder or Controlling Shareholder of our Company; (d) he/she does not have any interests in our Shares within the meaning of Part XV of the SFO, save as disclosed in the section headed "Directors' Report" in this report; (e) he/she does not have any interest in any business which competes or is likely to compete, directly or indirectly, with us, which is discloseable under GEM Listing Rules; and (f) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no additional information relating to our Directors or senior management that was required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules and no other matter with respect to their appointments that needed to be brought to the attention of our Shareholders.

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)	40	deputy general manager	January 2016	January 2016	Sales and marketing of property projects	none
ZHU Xiaoming (朱曉明)	35	deputy general manager	January 2016	March 2012	Sales of primary property projects	none

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. XU Peng (徐鵬) ("**Mr. Xu**"), aged 40, joined our Group in January 2016 as a deputy general manager and is currently primarily responsible for the sales of first-hand 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 WorldUnion 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 35, joined our Group in March 2012 as a manager of the primary property sales department of Guangzhou Fineland Property Consultancy and was primarily responsible for project management and sales, and was eventually promoted to be the deputy general manager of Guangzhou Fineland Property Consultancy in January 2016. Ms. Zhu is currently primarily responsible for the sales of primary property projects of our Group.

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.

Mr. XU Peng and Ms. ZHU Xiaoming do not have any current or past directorships in any listed companies.

If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translation, the Chinese names shall prevail. The English translation of such names are marked with "*" and are for identification purposes only.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Mr. TSO Ping Cheong, Brian (曹炳昌) ("**Mr. Tso**"), aged 40, 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. Mr. Tso was admitted as a member of the Hong Kong Institute of Certified Public Accountants in September 2008, a fellow of the Hong Kong Institute of Certified Public Accountants in October 2015, a fellow of the Association of Chartered Certified Accountants in October 2011, an associate of The Hong Kong Institute of Chartered Secretaries in January 2014, a fellow of The Hong Kong Institute of Chartered Secretaries in November 2015, an associate of The Institute of Chartered Secretaries and Administrators in January 2014 and a fellow of the Institute of Chartered Secretaries and Administrators in November 2015.

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 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. The remuneration committee has three members comprising Mr. YI Ruofeng, Mr. LEUNG Wai Hung and Mr. TIAN Qiusheng, of whom Mr. TIAN Qiusheng has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are, amongst other things, to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management and to make recommendation to the Board on the Group's policy and structure for all remuneration of the Directors and senior management.

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 nomination committee has three members comprising Ms. RONG Haiming, Mr. LIAO Junping and Mr. TIAN Qiusheng, of whom Ms. RONG Haiming 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.

COMPLIANCE OFFICER

Mr. YI Ruofeng was appointed as the compliance officer pursuant to the requirements under Rule 5.19 of the GEM Listing Rules of our Company on 16 March 2017. Please refer to the paragraph headed "Executive Directors" of this section for details of the qualification and experience of Mr. YI Ruofeng.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

During the year ended 31 December 2019, total remuneration (including salaries and bonus, allowances, and pension costs) paid by us to our Directors amounted to approximately RMB3.1 million (2018: RMB3.0 million).

Out of the five highest paid individuals, total remuneration (including salaries and bonus, and pension costs) paid to the three (2018: four) non-director, highest paid individuals of our Group during the year amounted to approximately RMB2.8 million (2018: RMB5.4 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 2019 and 2018. 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.

COMPLIANCE ADVISER

We have appointed RaffAello Capital Limited as our compliance adviser in accordance with Rule 6A.19 of the GEM Listing Rules to provide us with services including providing guidance and advice in connection with compliance with requirements under the GEM Listing Rules. The term of appointment commenced on 15 November 2017 (the "**Listing Date**") and shall end on the publication date of our financial results for the second full financial year after the Listing in compliance with Rule 18.03 of the GEM Listing Rules. Our Company will pay to RaffAello Capital Limited an agreed fee for its provision of services with the scope required under the GEM Listing Rules.

Pursuant to Rule 6A.23 of the GEM Listing Rules, we will consult with and, if necessary, seek advice from the compliance adviser in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues or share repurchase;

(iii) where we propose to use the net proceeds from the Share Offer in a manner different from that detailed in the Prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in the Prospectus; and

(iv) where the Stock Exchange makes an inquiry to our Company concerning unusual movements in the price and trading volume of our shares and/or any other matters.

Corporate Governance Report

The Company 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.

The Board has reviewed the Group's corporate governance practices and is satisfied that, for the year ended 31 December 2019, the Company had complied with all the code provisions set out in the Appendix 15 Corporate Governance Code and Corporate Governance Report (the "**CG Code**") of the GEM 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 Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Model Code**"). 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 2019.

The Board

During the year ended 31 December 2019, the Board comprised the following Directors:

Executive Directors

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

Non-executive Director

Mr. FONG Ming *(Chairman)*

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.

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

- formulation of overall strategies and review of its financial performance and results and the risk management and internal control systems;

- policies relating to key business and financial objectives of the Company;
- material transactions, including acquisition, investment, disposal of assets or capital expenditure;
- appointment, removal or reappointment of Board members and auditors;
- communication with key stakeholders, including shareholders and regulatory bodies; and
- recommendation to shareholders on final dividend and the declaration of any interim dividends.

The Board is responsible for maintaining proper accounting records so as to enable the Directors to monitor and disclose with reasonable accuracy the financial position of the Group. The Board updates Shareholders on the operations and financial position of the Group through quarterly, 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.

Each Independent Non-executive Directors has confirmed, in accordance with the guidelines for assessing independence set out in the GEM Listing Rules that he is independent of the Company and the Company also considers that all of them are independent.

Each of the Executive Directors, including Non-executive Director, has entered into a service contract or has signed a letter of appointment with the Company for an initial term of three years commencing from the Listing Date until terminated by either party giving not less than six months' written notice to the other expiring at the end of the initial term of their appointment or any time thereafter. The appointments are subject to the provisions of the Articles of Association of the Company 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 Committee, please refer to pages 24 to 27 of this Annual Report.

Remuneration Committee (the "RC")

The primary duties of the RC are to establish and review the policy and structure of the remuneration of our Directors and senior management, and make recommendation on employee benefit arrangement to the Board.

The RC reviews and approves the remuneration of Directors with reference to the Board's corporate goal and objectives. 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 was set up on 23 October 2017 with written terms of references to oversee the remuneration policy and structure for all Directors and senior management. The RC is formed by two independent non-executive directors, one executive director, and chaired by an independent non-executive Director. The RC had 1 meeting during the year ended 31 December 2019 at which it has reviewed and discussed the 2018 performance bonus proposal of the Company, and discussed the remuneration packages of Directors and senior management of the Company, 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 2019
Mr. TIAN Qiusheng *(Chairman of RC)*	1/1
Mr. LEUNG Wai Hung	1/1
Mr. YI Ruofeng	1/1

Nomination Committee (the "NC")

The NC was set up on 23 October 2017 with written terms of reference which were revised and adopted on 15 February 2019 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. The NC had 1 meeting during the year ended 31 December 2019 at which it reviewed the 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:

Name of members of Nomination Committee	Number of meetings attended in the financial year ended 31 December 2019
Ms. RONG Haiming *(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 15 February 2019 in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The written terms of reference of our AC was adopted in compliance with paragraphs C3.3 and C3.7 of the CG Code. 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 information, 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 is a fellow member of Association of Chartered Certified Accountants and also a member of the Certified Public Accountant 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 2019 at which it reviewed and discussed the Company's audited consolidated financial results for the year ended 31 December 2018, including the accounting principles and practice adopted by the Group, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report, the effectiveness of the Group's risk management and internal control systems as well as the Group's internal audit function. The Audit Committee has recommended to the Board to consider the re-appointment 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 2019
Mr. LEUNG Wai Hung *(Chairman of AC)*	4/4
Mr. TIAN Qiusheng	4/4
Mr. DU Chenhua	4/4

Board Diversity Policy

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

During the year ended 31 December 2019, the NC held one 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 agency industry-related experience. The Independent Non-executive Directors possess professional knowledge in corporate finance and accountancy, legal, and real estate business management. Further details of the Directors are set out in the section headed "Biographical Details of the Directors and Senior Management" in this report.

Review of this Policy

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

Nomination Policy

The Company has adopted a nomination policy on 15 February 2019, which establishes written guidelines for the nomination committee to identify individuals suitably qualified to become Board members and to make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors. The Board, through the delegation of its authority to the nomination committee, 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 payment of dividend is also subject to any restrictions under the Companies Law of the Cayman Islands and any other applicable laws, rule and regulations and amended and restated memorandum and Articles of Association of the Company.

Board Composition and Board and Committee Meetings

Practices and Conduct of Meetings

Provision A.1.1 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, 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 2019 the Board comprises three executive Directors, one non-executive Director and four independent non-executive Directors. The Company has met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of whom is with appropriate professional qualifications or accounting or related financial management expertise throughout the year. Biographical details of the Directors are shown on pages 13 to 20 of this report and set out on the websites 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 Committee's 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**	**Extraordinary general meetings**
Executive Directors						
Ms. RONG Haiming	4/4			1/1	1/1	N/A
Mr. YI Ruofeng	4/4		1/1		1/1	N/A
Ms. TSE Lai Wa	4/4				1/1	N/A
Non-executive Director						
Mr. FONG Ming	3/4				1/1	N/A
Independent Non-executive Directors						
Mr. LEUNG Wai Hung	4/4	4/4	1/1		1/1	N/A
Mr. LIAO Junping	4/4			1/1	1/1	N/A
Mr. TIAN Qiusheng	4/4	4/4	1/1	1/1	1/1	N/A
Mr. DU Chenhua	4/4	4/4			1/1	N/A

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 A.6.5 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
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, half-yearly and quarterly reports, other price-sensitive announcements and other financial disclosures required under the GEM 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 judgements and estimates that are reasonable in accordance with applicable accounting standards.

The quarterly, interim and annual results and reports were published within the time limits as required under the GEM 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 2019, the remuneration paid or payable to BDO Limited and its affiliate companies in respect of audit and non-audit services provided amounted to approximately RMB1,250,000 and RMBNil, respectively.

The remuneration paid or payable to another auditor for audit services in PRC was approximately RMB42,000 (2018: RMB34,000).

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:

- to develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updates;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- to review the Company's compliance with the CG Code and disclosure in corporate governance reports; and
- such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board are responsible.

Risk Management and Internal Control

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

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

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

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

Also, the Company performed an internal audit to assess the effectiveness of the Group's risk management and internal control systems which covered all material controls, including financial, operational and compliance controls as well as risk management functions during the year ended 31 December 2019. The internal control report was reviewed by the Audit Committee and the Board. No major issue was raised for improvement. For the year ended 31 December 2019, 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 the inside information policy for fair and timely dissemination to public based on applicable laws and regulations. The Director authorised by the Group to take charge of the investor relations, corporate matters and financial control functions is responsible for ensuring and monitoring compliance with the applicable disclosure procedures. The relevant Director may access inside information on an "as needed" basis at any times. Personnel and professionals involved are reminded to keep inside information confidential until public disclosure. The Company has other procedures in place to prevent mishandling of inside information, including prior approval of trading of the Company's securities by Directors and the management, regular notice of lock-up period, restrictions on securities trading of Directors and staff and code for project identification.

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

Company Secretary

The appointment and removal of the Company Secretary is subject to approval by the Board in accordance with the Articles of Association. The Company Secretary is responsible for ensuring the Board procedures and policy are followed and Board activities are effectively conducted. The Company Secretary is also responsible for maintaining minutes recorded in sufficient details of all the meetings of the Board and committees of the Company. Draft and final versions of minutes are 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, confirmed that he has complied with all the qualifications, experience, and training requirements under the GEM Listing Rules, including taking no less than 15 hours of relevant professional training.

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: P.O. Box 1350, Clifton House, 75 Fort Street, 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 at the following:

by post to principal place of business of the Company in Hong Kong: 9/F, Wah Yuen Building, 149 Queen's Road Central, Central, Hong Kong or by email to ir@fydc.cn.

If within 21 days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s) may convene a meeting 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 by the Company to the requisitionist(s).

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 Law (as revised) of the Cayman Islands, as amended, modified and supplemental from time to time. However, pursuant to the Company's 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 2019, there had been no significant change in the Company's constitutional documents. The articles of association of the Company (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 GEM Listing Rules which can also be accessed via the "Investor Relations" of the Company's website.

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

Any comments and suggestions to the Board can be addressed to our Hong Kong office or the Company Secretary by mail to 9/F, Wah Yuen Building, 149 Queen's Road Central, Central, 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 2019.

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 P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and 9/F, Wah Yuen Building, 149 Queen's Road Central, Central, Hong Kong respectively.

Principal activities and business review

The principal activities of the Group are (i) comprehensive real estate agency services in the primary and secondary property markets (including online property referral and agency services); (ii) property research and consultancy services; and (iii) integrated 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 5 to 12 of this Annual Report. This discussion forms part of this directors' report.

Major customers and suppliers

During the year ended 31 December 2019, our largest customer accounted for approximately 18.4% of total revenue. The aggregate sales to our five largest customers contributed approximately 38.5% of our total sales during the year. Five customers are connected customers as they are the group entities within the Fineland Group. Together, customers that were entities within the Fineland Group in aggregate accounted for approximately 41.6% 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.

Due to the nature of our principal business activities, we have no major suppliers. We have entered into agreements with various suppliers mainly in relation to the provision of marketing and advertising services. Also, we may split commission received from property developers under our online property referral and agency service business with real estate agents that bring in buyers.

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 2019 (2018: RMBNil).

Use of proceeds from the Company's initial public offering

Based on the offer price of HK$0.79 per share, the net proceeds from the listing on GEM, after deducting related expenses, amounted to approximately HK$41.5 million (approximately RMB34.7 million). The actual net proceeds received by the Company was higher than the estimated net proceeds of approximately HK$34.8 million, as set out in the Prospectus assuming an Offer Price of HK$0.675 per Offer Share, being the mid-point of the indicative offer price range of HK$0.55 to HK$0.80 per Share. In the light of the difference between the actual and estimated amount of net proceeds, the Group has adjusted the use of net proceeds in the same proportion as disclosed in the Prospectus.

On 8 August 2018, the Company announced a change in the allocation of IPO Proceeds (the "Change in Allocation Announcement") which sets out the revised allocation and the reasons for the adjustments. Due to the prevailing market conditions and the industry environment, the Board resolved to reallocate the use of proceeds within the business objective of expanding the Group's secondary and primary market real estate agency services. For details on the revised implementation plan, please refer to the Company's announcement dated 8 August 2018.

From the date of Listing to 31 December 2019, the Group has utilised 100% of the net proceeds, which have been applied as follows:

	Allocation of net proceeds *RMB'000*	Actual use of net proceeds up to 31 December 2019 *RMB'000*
Expansion of secondary and primary real estate agency services	27,762	27,762
Expansion of Integrated Services business	2,082	2,082
Enhance brand recognition	1,388	1,388
General working capital	3,470	3,470

The Directors will constantly evaluate the Group's business objectives and may change or modify plans against the changing market condition to attain sustainable business growth of the Group.

Gearing Ratio

As at 31 December 2019, the Group has gearing ratio (total liabilities divided by total assets) of 39% compared to that of 41% as at 31 December 2018.

Charitable donations

The Group did not make any charitable donations during the year (2018: RMBNil).

Summary financial information

A summary of the published result and assets, liabilities of the Group for the last four financial years, as extracted from the audited financial statements, is set out on page 98. 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 2019 are set out in note 23 to the financial statements. Details about the issue of shares are also set out in note 23 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 grant offer, during the year.

Distributable reserves

As at 31 December 2019, the Company had approximately RMB19.7 million distributable reserves. Details of the movements in the reserve of the Company for the year are set out in note 33 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

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

Executive Directors

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 has entered into a service contract with the Company for a term of three years commencing from the Listing 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 in 2019 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 Company's Articles of Associations, all directors will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

No director proposed for re-election at the forthcoming annual general meeting 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 2019, 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
Mr. Fong	Interest in controlled corporation *(Note 1)*	216,000,000	54%
Ms. Tse	Interest in controlled corporation *(Note 1)*	216,000,000	54%
Ms. Rong	Interest in controlled corporation and a legal and beneficial owner *(Note 2)*	24,500,000	6.125%
Mr. Yi	Interest in controlled corporation *(Note 3)*	9,000,000	2.25%

Notes:

1. 216,000,000 shares are registered in the name of Mansion Green Holdings Limited ("Mansion Green"), which is held 70% by Mr. Fong's Holding Companies (includes Stand Smooth Group Limited ("Stand Smooth"), Hero Dragon Management Limited ("Hero Dragon"), Fineland Group Holdings Company Limited ("Fineland Real Estate", formerly known as Fineland Real Estate Holdings Company Limited) and Widethrive Investments Limited ("Widethrive Investments")), and 30% by Aspiring Vision Holdings Limited ("Aspiring Vision"), which is wholly-owned by Ms. Tse.

2. 24,000,000 Shares are held by Metropolitan Dawn Holdings Limited ("Metropolitan Dawn"), which is wholly-owned by Ms. Rong. Ms. Rong purchased 500,000 Shares from the market in August 2019, after which Ms. Rong is interested in a total of 24,500,000 Shares, representing 6.125% of the entire issued share capital of the Company.

3. Shares are held by Totoro Holding Limited, which is wholly-owned by Mr. Yi.

(ii) Associated corporation

Apart from the foregoing, as at 31 December 2019, 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 2019, 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 GEM Listing Rules:

Long positions in Shares

Name	Nature of Interest	Number of Shares held	Approximate percentage of shareholding
Ms. HE Kangkang (何康康)[(1)]	Interest of spouse	216,000,000	54%
Mr. ZHENG Muming (鄭木明)[(2)]	Interest of spouse	216,000,000	54%
Mr. WANG Haihui (王海暉)[(3)]	Interest of spouse	24,500,000	6.125%
Mansion Green[(4)]	Legal and beneficial owner	216,000,000	54%
Widethrive Investments[(4)]	Interest in a controlled corporation	216,000,000	54%
Fineland Real Estate[(4)]	Interest in a controlled corporation	216,000,000	54%
Hero Dragon[(4)]	Interest in a controlled corporation	216,000,000	54%
Stand Smooth[(4)]	Interest in a controlled corporation	216,000,000	54%
Aspiring Vision[(4)]	Interest in a controlled corporation	216,000,000	54%
Metropolitan Dawn[(5)]	Legal and beneficial owner	24,000,000	6%

DIRECTORS' REPORT

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

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

(5) Metropolitan Dawn is the registered owner of 24,000,000 Shares, representing 6% of the issued share capital of the Company. Metropolitan Dawn is wholly-owned by Ms. Rong. Ms. Rong is therefore deemed to be interested in the same number of Shares as to which Metropolitan Dawn is interested under the SFO.

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares and debentures 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 (iii) 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 2019, 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 2019 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 26 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 26(a) 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 20 of the GEM Listing Rules.

Connected transaction and continuing connected transaction

Non-exempted Continuing Connected Transactions up to 31 December 2019

On 11 October 2017, the Company (for itself and on behalf of its subsidiaries, as service providers) and Fineland Real Estate (for itself and on behalf of its subsidiaries, as service recipients) entered into a master agency service agreement (the "**Master Agency Service Agreement**"), pursuant to which our 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.

The Supplemental Master Agency Service Agreement dated 26 September 2018 was entered (the "**Supplemental Master Agency Service Agreement**") between the Company (for itself and on behalf of its subsidiaries, as the service providers) and Fineland Real Estate (for itself and on behalf of its subsidiaries, as the receiving parties), 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 effective date to 31 December 2020.

As disclosed in the Circular dated 7 November 2018, the Directors estimate that the maximum annual fees charged by the Group in relation to the services to be provided under the Master Agency Service Agreement and Supplemental Master Agency Service Agreement for each of the three years ending 31 December 2020 will not exceed RMB91.0 million, RMB106.0 million and RMB118.0 million, respectively (the "**Revised Annual Caps**").

As one or more of the applicable percentage ratios (as defined under Chapter 19 of the GEM Listing Rules) in respect of the proposed annual caps for the transactions contemplated under the Master Agency Service Agreement is, on an annual basis, expected to be more than 5%, the transactions contemplated under Master Agency Service Agreement are subject to annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Revised Annual Caps were approved by the independent shareholders who were not required to abstain from voting at the Company's extraordinary general meeting held on 28 November 2018.

Service provider	Service recipient	Nature of transactions	Annual cap for the year ended 31 December 2019	Total amount for the year ended 31 December 2019
Our Group	Fineland Real Estate and its subsidiaries	Services provided under the Master Agency Service Agreement	RMB106.0 million	RMB105.7 million

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 and Practice Note 740 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 GEM Listing Rules for the year ended 31 December 2019 and up to the date of this report.

Directors' interest in competing business

The Directors are not aware of any business or interest of the Directors nor our controlling shareholders 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.

Deed of non-competition

Our Controlling Shareholders, Mr. Fong, Ms. Tse, Mansion Green, Mr. Fong's Holding Companies, Stand Smooth and Aspiring Vision (each the "**Obligor**" and collectively the "**Obligors**") entered 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, 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 GEM 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, 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 2019 and up to the date of this report, there were permitted indemnity provisions (within the meaning in Section 469 of the Hong Kong Companies Ordinance) 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 businesses do not have any direct adverse impact on the environment. Nevertheless, the Group is committed to building an environmentally-friendly corporation that pays close attention to conserving resources for its operation and raise environmental awareness within the Group. During the year, the key environmental impacts from the Group's operations relate to office energy and paper consumption. The Group strives to minimise any possible impacts or harms to the environment by, among others, establishing environmental policies and various procedures to be adopted in its usual and ordinary course of business reducing unnecessary usage of paper, conserving electricity and encouraging recycle of office supplies and other materials. When providing comprehensive property consultancy or pure property planning and consultancy services, the Group would also consider the possible environmental impacts of such plans.

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 GEM of 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. The table below set out number of employees within our different business segments as at 31 December 2019.

Management and administration	5
Property research and consultancy services	53
Real estate agency services	625
Integrated services	36
Total	719

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 98 of the annual report.

Interests of compliance adviser

As notified by the Company's compliance adviser, RaffAello Capital Limited (the "**Compliance Adviser**"), one former employee, Ms. LIN Wei, who resigned on 1 April 2018, held 4,000 Shares which accounted for approximately 0.001% of the total issued shares of the Company as at 30 June 2018. Other than as disclosed above and the compliance adviser agreement dated 3 April 2017 and entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor any of its directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

Corporate Governance

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

Confirmation of independence

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM 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 Rule 5.09 of the GEM Listing Rules.

Review by Audit Committee

The audited financial statements of the Group for the year ended 31 December 2019 have been reviewed by the audit committee. The audit committee is of the opinion that the financial statements of the Group for the year ended 31 December 2019 comply with applicable accounting standards, the GEM 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
FONG Ming
Chairman
Hong Kong, 24 March 2020

INDEPENDENT AUDITOR'S REPORT

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

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

Opinion

We have audited the consolidated financial statements of Fineland Real Estate Services Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 97, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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.

Revenue recognition of real estate agency service income

Refer to Notes 4(m), 5(i) and 7 to the consolidated financial statements.

For the year ended 31 December 2019, the Group's real estate agency service income amounted to approximately RMB252,900,000. In order to determine the amounts of such real estate agency service income, management is required to exercise significant judgements by taking into account of factors such as customers' profiles and contractual terms. Revenue is recognised only when the control of the services underlying the particular performance obligation has been transferred.

Key Audit Matters *(Continued)*

Revenue recognition of real estate agency service income *(Continued)*

Our response:

During our audit, we conducted the following audit procedures, amongst others, to address this key audit matter:

— Obtaining an understanding on the basis of the recognition of real estate agency service income;

— Evaluating the estimation of real estate agency service income, on a sample basis, to the terms set out in the contracts and with reference to management's knowledge about contracted parties; and

— Checking the accuracy of the amounts of real estate agency service income recognised, on a sample basis, to invoices issued to customers and correspondences with the customers.

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.

- 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.

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

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

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

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

BDO Limited
Certified Public Accountants
LAM Siu Fung
Practising Certificate no.: P05308
Hong Kong, 24 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	7	256,275	228,903
Other income and gains	8	3,016	7,145
Employee benefit expenses	10	(104,593)	(101,531)
Advertising, promotion and other commission expenses		(95,394)	(68,543)
Short-term leases expenses		(3,129)	–
Operating lease charges in respect of office and shop premises		–	(12,101)
Depreciation of property, plant and equipment	15	(1,086)	(1,157)
Depreciation of right-of-use assets	16(a)	(5,136)	–
Expected credit loss on financial assets	28(a)	(23)	(85)
Other operating expenses		(12,661)	(11,235)
Listing expenses		(4,246)	–
Finance costs		(673)	–
Profit before income tax	9	32,350	41,396
Income tax	12(a)	(9,933)	(11,280)
Profit for the year		22,417	30,116
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(401)	(3,190)
Total comprehensive income for the year		22,016	26,926
Profit/(loss) attributable to:			
Owners of the Company		22,165	30,117
Non-controlling interests		252	(1)
		22,417	30,116
Total comprehensive income attributable to:			
Owners of the Company		21,764	26,927
Non-controlling interests		252	(1)
		22,016	26,926

		RMB cents	RMB cents
Earnings per share for profit attributable to equity holders of the Company			
— Basic and diluted	14	5.54	7.53

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	15	**2,286**	3,887
Right-of-use assets	16(a)	**13,277**	–
Deposits paid for acquisition of property, plant and equipment		**897**	240
Total non-current assets		**16,460**	4,127
Current assets			
Trade receivables	17	**35,013**	22,817
Deposits, prepayments and other receivables	18	**23,991**	7,471
Amounts due from fellow subsidiaries	19	**21,712**	34,751
Amount due from a related company	19	**14,560**	–
Bank balances and cash	20	**98,662**	109,754
Total current assets		**193,938**	174,793
Current liabilities			
Trade payables	21	**17,545**	14,762
Contract liabilities	22	**7,978**	16,296
Accruals and other payables		**24,183**	27,271
Lease liabilities	16(b)	**5,561**	–
Tax payable		**16,207**	12,275
Total current liabilities		**71,474**	70,604
Net current assets		**122,464**	104,189
Total assets less current liabilities		**138,924**	108,316
Non-current liabilities			
Lease liabilities	16(b)	**8,298**	–
Deferred tax liabilities	12(b)	**2,031**	2,031
Total non-current liabilities		**10,329**	2,031
Net assets		**128,595**	106,285
Capital and reserves			
Share capital	23	**3,403**	3,403
Reserves	24	**124,647**	102,883
Equity attributable to owners of the Company		**128,050**	106,286
Non-controlling interests		**545**	(1)
Total equity		**128,595**	106,285

Approved and authorised for issue by the board of directors on 24 March 2020.

RONG Haiming	**YI Ruofeng**
Executive Director	*Executive Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	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 2018	3,403	51,677	5,987	6,009	512	11,771	79,359	–	79,359
Profit for the year	–	–	–	–	–	30,117	30,117	(1)	30,116
Other comprehensive income									
Exchange differences on translation of foreign operations	–	–	–	–	(3,190)	–	(3,190)	–	(3,190)
Total comprehensive income for the year	–	–	–	–	(3,190)	30,117	26,927	(1)	26,926
Profit appropriations to statutory reserve	–	–	–	773	–	(773)	–	–	–
As at 31 December 2018 and 1 January 2019	3,403	51,677	5,987	6,782	(2,678)	41,115	106,286	(1)	106,285
Profit for the year	–	–	–	–	–	22,165	22,165	252	22,417
Other comprehensive income									
Exchange differences on translation of foreign operations	–	–	–	–	(401)	–	(401)	–	(401)
Total comprehensive income for the year	–	–	–	–	(401)	22,165	21,764	252	22,016
Capital injection by non-controlling interest	–	–	–	–	–	–	–	294	294
Profit appropriations to statutory reserve	–	–	–	1,200	–	(1,200)	–	–	–
As at 31 December 2019	3,403	51,677	5,987	7,982	(3,079)	62,080	128,050	545	128,595

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 RMB'000	2018 RMB'000
Cash flows from operating activities		
Profit before income tax	32,350	41,396
Adjustments for:		
Interest income	(2,100)	(958)
Depreciation of property, plant and equipment	1,086	1,157
Depreciation of right-of-use assets	5,136	–
Finance costs	673	–
Expected credit loss on financial assets	23	85
Loss on disposal of property, plant and equipment	707	813
Currency translation differences	(455)	(2,937)
Operating profit before working capital changes	37,420	39,556
(Increase)/decrease in trade receivables	(12,219)	8,728
Increase in deposits, prepayments and other receivables	(16,520)	(4,743)
Decrease/(increase) in amounts due from fellow subsidiaries	13,039	(34,313)
Increase in amount due from a related company	(14,560)	–
Increase in trade payables	2,783	2,509
(Decrease)/increase in contract liabilities	(8,318)	7,958
(Decrease)/increase in accruals and other payables	(3,108)	1,822
Cash (used in)/from operations	(1,483)	21,517
Income tax paid	(6,001)	(2,483)
Net cash (used in)/from operating activities	(7,484)	19,034
Cash flows from investing activities		
Interest income received	2,100	958
Purchases of property, plant and equipment, net of deposits paid for acquisition of property, plant and equipment	(867)	(1,187)
Proceeds from disposal of property, plant and equipment	18	–
Net cash from/(used in) investing activities	1,251	(229)
Cash flows from financing activities		
Capital injection by non-controlling interest	294	–
Payment of principal portion of lease payments	(4,554)	–
Payment of interest portion of lease payments	(673)	–
Net cash used in financing activities	(4,933)	–
Net (decrease)/increase in cash and cash equivalents	(11,166)	18,805
Effect of foreign exchange rate changes	74	(202)
Cash and cash equivalents at beginning of year	109,754	91,151
Cash and cash equivalents at end of year	98,662	109,754
Analysis of balances of cash and cash equivalents		
Bank balances and cash	98,662	109,754

1. GENERAL INFORMATION

Fineland Real Estate Services Group Limited (the "Company") was incorporated as an exempted company in the Cayman Islands with limited liability. The address of its registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located at 9/F, Wah Yuen Building, 149 Queen's Road Central, Central, Hong Kong. Its shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 November 2017.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the provision of real estate agency services, property research and consultancy and integrated services 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.

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

(a) Adoption of new or revised HKFRSs — effective on 1 January 2019

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKAS 12 and HKAS 23

The impact of the adoption of HKFRS 16 Leases has been summarised below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

HKFRS 16 — Leases

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases - Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

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

(a) Adoption of new or revised HKFRSs - effective on 1 January 2019 *(Continued)*

HKFRS 16 — Leases *(Continued)*

(i) Impact of the adoption of HKFRS 16 *(Continued)*

The Group has applied HKFRS 16 using the cumulative effect approach. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on statement of financial position as of 31 December 2018 to that of 1 January 2019 (increase/(decrease)):

	RMB'000
Statement of financial position as at 1 January 2019	
Right-of-use assets	12,082
Lease liabilities (non-current)	8,029
Lease liabilities (current)	4,053
Retained profits	–

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 January 2019:

	RMB'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as of 31 December 2018	22,335
Less: Short term leases for which lease terms end within 31 December 2019	(3,445)
Less: Leases early terminated *(Note)*	(5,784)
Less: Future interest expenses	(1,024)
Total lease liabilities as of 1 January 2019	12,082

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 is 4.75%.

Note: The Group applied the practical expedient under HKFRS 16 and used hindsight in determining the lease term where the contract contains options to extend or terminate the leases. As at the date of the initial application of HKFRS 16, the management had assessed whether it was reasonably certain for the Group to exercise extension options included in certain lease contracts entered into by the Group and the management had concluded that the Group was not reasonably certain to exercise the extension options.

As at the date of the initial application of HKFRS 16, the management had concluded that the Group was reasonably certain not to exercise the termination options. Due to the closure of certain shop premises before the expiry of the lease terms as a result of changes in business environment in the current year, the Group early terminated these lease contracts.

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

(a) Adoption of new or revised HKFRSs - effective on 1 January 2019 *(Continued)*

HKFRS 16 — Leases *(Continued)*

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee applies the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of whether they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices 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 straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

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

(a) Adoption of new or revised HKFRSs - effective on 1 January 2019 *(Continued)*

HKFRS 16 — Leases *(Continued)*

(iii) Accounting as a lessee *(Continued)*

Right-of-use asset

The right-of-use asset should be 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 should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be 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 shall use the Group's incremental borrowing rate.

Subsequent to the commencement date, a lessee shall measure 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, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 at an amount equal to the amount recognised for the remaining lease liabilities adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised in the consolidated statement of financial position as at 31 December 2018. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment on that date.

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

(a) Adoption of new or revised HKFRSs - effective on 1 January 2019 *(Continued)*

HKFRS 16 — Leases *(Continued)*

(iv) Transition *(Continued)*

The Group has also applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use assets at 1 January 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition-date fair value.

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

(a) Adoption of new or revised HKFRSs - effective on 1 January 2019 *(Continued)*

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015–2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

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

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

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]

1 Effective for annual periods beginning on or after 1 January 2020

Amendments to HKFRS 3 — Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions. An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 — Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis.

(c) Functional and presentation currency

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

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

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

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. 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. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

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

(a) Business combination and basis of consolidation *(Continued)*

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

(b) Subsidiaries

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

In the Company's statement of financial position (Note 33), 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.

(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:

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

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

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

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

(d) Leasing

Accounting policies applied from 1 January 2019

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

Right-of-use asset

The right-of-use asset should be 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, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

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

(d) Leasing *(Continued)*

Accounting policies applied until 31 December 2018

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(e) Financial instruments

(i) Financial assets

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

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

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

Debt instruments

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

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

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

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

(e) Financial instruments *(Continued)*

(i) Financial assets (Continued)

Debt instruments (Continued)

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

(ii) Impairment loss on financial assets

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

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

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

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

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 "Financial Instruments" ("HKFRS 9") 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.

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

(e) Financial instruments *(Continued)*

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

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

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

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

(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.

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.

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

(e) Financial instruments *(Continued)*

(iii) Financial liabilities (Continued)

Financial liabilities at FVTPL (Continued)

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 and accruals and other payables 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.

(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.

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

(f) Impairment of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use 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. A reversal of an impairment loss is recognised immediately in profit or loss.

(g) 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.

(h) 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.

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

(i) 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 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.

(j) 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.

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

(j) Translation of foreign currencies *(Continued)*

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.

(k) 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.

(l) 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.

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

(l) Related parties *(Continued)*

(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.

(m) 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.

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

(m) Revenue recognition *(Continued)*

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

Revenue from property research and consultancy services is recognised at a point in time when the service is rendered and the customer has received and endorsed the report, since the customers do not simultaneously receive and consume the benefits until the report is received and only by that time the Group has an enforceable right to payment for the services performed.

Revenue from integrated services is recognised at a point in time when the service is rendered with the specified performance obligation met, since the services bring no benefits to the customers until the aforementioned events occur and only by that time the Group has an enforceable right to payment for the services performed.

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

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

(m) Revenue recognition *(Continued)*

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.

(n) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

(o) Government grants

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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 service income

Management estimates the total consideration of real estate agency service income, including an estimate of variable consideration, received in exchange for the services rendered, details of which are set out in Note 4(m). 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

The Group makes allowance for impairment on trade receivables based on assumptions about risk of default and ECL rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of the reporting period.

(iii) Deferred tax liabilities

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

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) Determining the lease term of contracts with extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

6. SEGMENT REPORTING

The Group is principally engaged in provision of comprehensive real estate agency services. The executive directors of the Company, who are the chief operating decision-makers of the Group, assess the performance of the Group's internal reporting based on a measure of operating results and consider the range of agency services as a single operating segment. Information reported to the executive directors for the purposes of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group's resources are integrated.

6. SEGMENT REPORTING *(Continued)*

Management regularly reviews the financial information of the Group as a whole as reported under HKFRSs. Accordingly, the Group has identified one operating segment which is provision of comprehensive real estate agency services. Business segment information is not considered necessary.

As the executive directors 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 the following customers with whom transactions have exceeded 10% of the Group's revenue, is as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Fineland Real Estate Holdings Company Limited ("Fineland Real Estate") and its subsidiaries* (collectively the "Fineland Group")	**106,649**	90,341

* Fellow subsidiaries of the Company

7. REVENUE

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

	2019 ***RMB'000***	2018 *RMB'000*
Revenue from customers recognised at point in time:		
Real estate agency service income (including online property referral and agency service income*)	**252,900**	224,646
Property research and consultancy service income	**1,424**	3,131
Integrated services income	**1,951**	1,126
	256,275	228,903

* Online property referral and agency service income amounted to approximately RMB126,441,000 (2018: RMB79,551,000).

The following table provides information about the revenue recognised in the reporting period relating to carried-forward contract liabilities:

	2019 ***RMB'000***	2018 *RMB'000*
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year:		
Real estate agency service income (including online property referral and agency service income)	**16,296**	8,338

8. OTHER INCOME AND GAINS

	2019 *RMB'000*	2018 *RMB'000*
Exchange gains, net	**468**	3,177
Government grants	**–**	3,010
Interest income	**2,100**	958
Others	**448**	–
	3,016	7,145

The prior year government grants represented unconditional grants received from local government to encourage the Group's development. There were no unfulfilled conditions relating to the grants.

9. PROFIT BEFORE INCOME TAX

This is arrived at after charging:

	2019 *RMB'000*	2018 *RMB'000*
Auditors' remuneration	**1,292**	1,174
Loss on disposal of property, plant and equipment	**707**	813
Listing expenses *(Note)*	**4,246**	–
Finance costs: Interest expenses on lease liabilities	**673**	–

Note: The listing expenses were the professional fees incurred relating to the application of the transfer of listing from GEM to the Main Board of the Stock Exchange.

10. EMPLOYEE BENEFIT EXPENSES

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

	2019 *RMB'000*	2018 *RMB'000*
Salaries, allowances and other benefits	**94,400**	92,892
Contributions to retirement benefits scheme	**10,193**	8,639
	104,593	101,531

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 2019					
Executive directors					
Ms. Rong Haiming	–	779	411	72	1,262
Mr. Yi Ruofeng	–	563	298	72	933
Ms. Tse Lai Wa	–	120	–	–	120
Non-executive director					
Mr. Fong Ming	120	–	–	–	120
Independent non-executive directors					
Mr. Leung Wai Hung	158	–	–	–	158
Dr. Liao Junping	185	–	–	–	185
Mr. Tian Qiusheng	185	–	–	–	185
Mr. Du Chenhua	185	–	–	–	185
	833	1,462	709	144	3,148

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 2018					
Executive directors					
Ms. Rong Haiming	–	651	457	71	1,179
Mr. Yi Ruofeng	–	495	300	71	866
Ms. Tse Lai Wa	–	120	–	–	120
Non-executive director					
Mr. Fong Ming	120	–	–	–	120
Independent non-executive directors					
Mr. Leung Wai Hung	152	–	–	–	152
Dr. Liao Junping	185	–	–	–	185
Mr. Tian Qiusheng	185	–	–	–	185
Mr. Du Chenhua	185	–	–	–	185
	827	1,266	757	142	2,992

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 (2018: RMBNil). In addition, none of the directors waived or agreed to waive any remuneration during the year (2018: 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 two directors (2018: one director) of the Company during the year, whose emoluments are included in the analysis presented in Note 11(a). The emoluments of the remaining non-director, highest paid individuals for the year, are as follows:

	2019 *RMB'000*	2018 *RMB'000*
Salaries, allowances and other benefits	2,767	5,327
Contributions to retirement benefits scheme	47	62
	2,814	5,389

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 (2018: RMBNil).

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

	2019	2018
Nil to HK$1,000,000 (equivalent to approximately Nil to RMB843,000)	1	–
HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB843,001 to RMB1,264,000)	2	2
HK$1,500,001 to HK$2,000,000 (equivalent to approximately RMB1,264,001 to RMB1,685,000)	–	1
HK$2,000,001 to HK$2,500,000 (equivalent to approximately RMB1,685,001 to RMB2,106,000)	–	–
HK$2,500,001 to HK$3,000,000 (equivalent to approximately RMB2,106,001 to RMB2,528,000)	–	1
	3	4

12. INCOME TAX

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

	2019 RMB'000	2018 RMB'000
Current tax – PRC Enterprise Income Tax ("EIT")		
— provision for the year	**9,933**	11,226
— under-provision in respect of prior years	**–**	54
	9,933	11,280

(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) Provision for the PRC EIT is calculated at a statutory tax rate of 25% (2018: 25%) of the estimated assessable profit as determined in accordance with the relevant EIT law in the PRC.

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

	2019 RMB'000	2018 RMB'000
Profit before income tax	**32,350**	41,396
Taxation calculated at PRC EIT rate of 25% (2018: 25%)	**8,088**	10,349
Effect of different tax rates of subsidiaries operating in other jurisdiction	**659**	362
Tax effect of revenue not taxable for tax purposes	**(117)**	(191)
Tax effect of expenses not deductible for tax purposes	**1,369**	802
Tax effect of tax losses not recognised	**–**	35
Utilisation of tax losses previously not recognised	**(10)**	–
Tax allowances granted to a PRC subsidiary	**(56)**	(131)
Under-provision in respect of prior years	**–**	54
Income tax for the year	**9,933**	11,280

12. INCOME TAX *(Continued)*

(b) Deferred tax liabilities

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

	Undistributed earnings of a subsidiary in the PRC *RMB'000*
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	2,031

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.

During the year ended 31 December 2019, no deferred tax liability has been provided for the withholding tax that would be payable on the unremitted earnings totalling RMB76,860,000 (2018: RMB48,608,000) as at 31 December 2019. Such earnings are 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 2019, the Group had unused tax losses of approximately RMB252,000 (2018: RMB293,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to unpredictability of future profits streams.

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

As at 31 December 2019, the Group did not have other material unrecognised deferred tax (2018: RMBNil).

13. DIVIDEND

No dividend was paid or proposed by the Company during the year, nor has any dividend been proposed since the end of the reporting period (2018: RMBNil).

14. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2019 *RMB'000*	2018 *RMB'000*
Profit for the year attributable to the owners of the Company	**22,165**	30,117
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 potential dilutive ordinary shares outstanding for the years ended 31 December 2018 and 2019.

15. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment *RMB'000*	**Motor vehicles** *RMB'000*	**Computer equipment and software** *RMB'000*	**Leasehold improvements** *RMB'000*	**Total** *RMB'000*
Cost					
As at 1 January 2018	661	395	2,357	4,196	7,609
Additions	177	–	530	981	1,688
Disposals	–	–	–	(1,049)	(1,049)
As at 31 December 2018 and 1 January 2019	838	395	2,887	4,128	8,248
Additions	21	–	44	145	210
Disposals	(106)	–	(115)	(1,121)	(1,342)
As at 31 December 2019	753	395	2,816	3,152	7,116
Accumulated depreciation					
As at 1 January 2018	(439)	(47)	(1,591)	(1,363)	(3,440)
Depreciation for the year	(71)	(94)	(334)	(658)	(1,157)
Eliminated on disposals	–	–	–	236	236
As at 31 December 2018 and 1 January 2019	(510)	(141)	(1,925)	(1,785)	(4,361)
Depreciation for the year	(62)	(94)	(302)	(628)	(1,086)
Eliminated on disposals	28	–	68	521	617
As at 31 December 2019	(544)	(235)	(2,159)	(1,892)	(4,830)
Carrying amounts					
As at 31 December 2019	209	160	657	1,260	2,286
As at 31 December 2018	328	254	962	2,343	3,887

16. LEASES

The Group entered into a number of lease agreements for the use of office and shop premises in Guangzhou, the PRC with lease terms ranging from 2 to 5 years. Certain lease agreements contain options to extend or terminate the lease. The management assessed and concluded that the Group is not reasonably certain to exercise the extension options and the Group is reasonably certain not to exercise the termination option of the lease agreements. 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.

(a) Right-of-use assets

	Office and shop premises *RMB'000*
Cost	
As at 1 January 2018 and 31 December 2018	–
Impact on adoption of HKFRS 16 (Note 2(a)(i))	12,082
As at 1 January 2019	12,082
Additions	6,331
As at 31 December 2019	18,413
Accumulated depreciation	
As at 1 January 2018 and 31 December 2018	–
Impact on adoption of HKFRS 16	–
As at 1 January 2019	–
Depreciation for the year	(5,136)
As at 31 December 2019	(5,136)
Carrying amounts	
As at 31 December 2019	13,277
As at 31 December 2018	–

For the year ended 31 December 2019, the total cash payments for the Group's lease arrangements (including repayment of lease liabilities) amounted to RMB5,227,000.

(b) Lease liabilities

	31 December 2019 *RMB'000*	1 January 2019 *RMB'000*
Current liabilities	**5,561**	4,053
Non-current liabilities	**8,298**	8,029
	13,859	12,082

Included in the current lease liabilities is an amount with a related party of RMB273,000.

16. LEASES *(Continued)*

(b) Lease liabilities *(Continued)*

	Present value 31 December 2019 *RMB'000*	Interest 31 December 2019 *RMB'000*	Minimum lease payments 31 December 2019 *RMB'000*
Not later than one year	**5,561**	**144**	**5,705**
Later than one year and not later than two years	**4,284**	**331**	**4,615**
Later than two years and not later than five years	**4,014**	**634**	**4,648**
	13,859	**1,109**	**14,968**

	Present value 1 January 2019 *RMB'000*	Interest 1 January 2019 *RMB'000*	Minimum lease payments 1 January 2019 *RMB'000*
Not later than one year	**4,053**	**105**	**4,158**
Later than one year and not later than two years	**3,759**	**282**	**4,041**
Later than two years and not later than five years	**4,270**	**637**	**4,907**
	12,082	**1,024**	**13,106**

17. TRADE RECEIVABLES

	2019 *RMB'000*	2018 *RMB'000*
Trade receivables	**36,392**	24,173
Less: Impairment losses	**(1,379)**	(1,356)
	35,013	22,817

17. TRADE RECEIVABLES *(Continued)*

Trade receivables mainly represent real estate agency service income receivables from customers whereby no credit terms are granted generally. The customers are obliged to settle the amounts due upon completion of services provided or pursuant to the terms and conditions of the relevant agreements. The aging analysis of trade receivables (net of impairment losses) based on invoice date (which is also the due date) as of the end of the reporting period is as follows:

	2019 *RMB'000*	2018 *RMB'000*
Within 3 months	**34,459**	22,817
4 to 12 months	**554**	–
	35,013	22,817

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.

For the years ended 31 December 2018 and 2019, 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 28(a). For the year ended 31 December 2019, additional provision of RMB23,000 (2018: RMB85,000) was made against the gross amounts of trade receivables.

18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019 *RMB'000*	2018 *RMB'000*
Rental and utility deposits	**1,830**	2,213
Prepayments *(Note (a))*	**15,800**	14
Other receivables and deposits *(Note (b))*	**6,361**	5,244
	23,991	7,471

Notes:

(a) As at 31 December 2019, included in the prepayments were prepaid commission of RMB15,800,000 (2018: RMBNil) to real estate agents enabling them to carry out the real estate agency services to the Group in the primary market projects situated in the PRC. Prepaid commission will be subsequently recognised as commission expenses and charged in profit or loss when the Group recognises the related real estate agency service income.

(b) As at 31 December 2019, other receivables and deposits included deposits paid to real estate agents of approximately RMB5,290,000 (2018: RMB5,100,000) in accordance with the underlying agreements to enable them to carry out the real estate agency services to the Group in the primary market projects situated in the PRC. The deposits will be released to the Group upon completion of the respective agreements with terms that are generally less than one year.

19. AMOUNTS DUE FROM FELLOW SUBSIDIARIES AND A RELATED COMPANY

The amounts due from fellow subsidiaries and a related company as at 31 December 2018 and 2019 are trade in nature, unsecured and 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 company is an investee company of the Fineland Group and there are common directors between Fineland Real Estate and the investee company.

The Group has adopted the same impairment policies on trade receivables and amounts due from fellow subsidiaries and a related company in 2018 and 2019 respectively, details of which are set out in Note 17.

20. BANK BALANCES AND CASH

As at 31 December 2018 and 2019, bank balances carry interest at prevailing deposit rates.

As at 31 December 2019, included in the Group's bank balances is an amount of approximately RMB94,521,000 (2018: RMB108,305,000), which are deposits with banks in the PRC and denominated in RMB, and RMB is not a freely convertible currency.

21. TRADE PAYABLES

The amounts mainly represented the commissions payable to co-operative real estate agents. The ageing analysis of trade payables based on invoice date as of the end of the reporting period is as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Within 3 months	**17,545**	14,762

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.

22. CONTRACT LIABILITIES

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

	2019 ***RMB'000***	2018 *RMB'000*
Contract liabilities from third parties	**7,978**	16,296

Movements in contract liabilities

	2019 ***RMB'000***	2018 *RMB'000*
Balance as at 1 January	**16,296**	8,338
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year *(Note 7)*	**(16,296)**	(8,338)
Increase in contract liabilities as a result of billing in advance of real estate agency service income	**7,978**	16,296
Balance at 31 December	**7,978**	16,296

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

23. SHARE CAPITAL

	Number	Amount *HK$'000*
Ordinary shares at par value of HK$0.01 each		
Authorised		
As at 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	10,000,000,000	100,000

	Number	Amount *HK$'000*	Amount *RMB'000*
Ordinary shares at par value of HK$0.01 each			
As at 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	400,000,000	4,000	3,403

24. 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 nominal value of the shares of the Company issued at a premium, less the amount of expenses incurred in connection with the issue of the shares.

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(j) to the financial statements.

25. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Operating lease commitments

As at 31 December 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office and shop premises as follows:

	2018 *RMB'000*
Not later than one year	8,921
Later than one year and not later than five years	13,414
	22,335

Leases for the Group's office and shop premises were negotiated for range of two to five years at fixed rental. Certain leases of the Group contained an option to renew and renegotiate the terms at the expiry date or at dates mutually agreed between the Group and respective landlords or lessors.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term leases, details of which are set out in Note 16(a).

(b) Capital commitment

	2019 ***RMB'000***	2018 *RMB'000*
Capital expenditure, contracted for but not provided for, in respect of:		
Acquisition of property, plant and equipment	**370**	370

(c) Contingent liability

At the end of the reporting period, the Group did not have any significant contingent liability.

26. RELATED PARTY TRANSACTIONS

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

	2019 **RMB'000**	2018 RMB'000
Real estate agency service income from fellow subsidiaries (including online property referral and agency service income)	**104,744**	87,449
Property research and consultancy service income from fellow subsidiaries	**178**	640
Integrated services income from fellow subsidiaries	**759**	471
	105,681	88,560
Other research service income from fellow subsidiaries	**913**	1,781
Other real estate agency service income from a fellow subsidiary	**55**	–
Real estate agency service income from a related company (including online property referral and agency service income)	**14,605**	–
Short-term leases expenses to fellow subsidiaries	**1,843**	1,848
Operating lease charges to a related party *(Note)*	**290**	276
Consultancy fee to a fellow subsidiary	**–**	75
Deposits paid for acquisition of property, plant and equipment to a fellow subsidiary	**657**	–

The above transactions were conducted on mutually agreed terms.

Note:

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

(b) As at 31 December 2018, the Group had future aggregate minimum lease payments to fellow subsidiaries and a related party (Note) under non-cancellable operating leases in respect of office and shop premises as follows:

	2018 RMB'000
Not later than one year	2,111
Later than one year and not later than five years	280
	2,391

Note:

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

(c) As at the end of the reporting period, the Group had capital commitment to a fellow subsidiary in respect of acquisition of property, plant and equipment of approximately RMB370,000 (2018: RMB370,000).

26. RELATED PARTY TRANSACTIONS *(Continued)*

(d) On 11 October 2017, the Group and Fineland Real Estate, an intermediate holding company of the Company, entered into trademark license agreements (the "Trademark License Agreements"), pursuant to which Fineland Real Estate agreed to grant to the Group an exclusive license to use certain trademarks registered by Fineland Real Estate ("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.

(e) On 11 October 2017, the Group and Fineland Real Estate 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 Real Estate entered into a supplemental master agency service agreement that extended the contract terms to 31 December 2020.

(f) 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.

27. 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.

As 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:

	2019 ***RMB'000***	2018 *RMB'000*
Total liabilities	**81,803**	72,635
Total assets	**210,398**	178,920
Gearing ratio	**39%**	41%

28. FINANCIAL RISK MANAGEMENT

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

(a) Credit risk

The Group's credit risk is primarily attributable to its trade receivables, deposits and other receivables, amounts due from fellow subsidiaries and a related company 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 and a related company which are trade in nature

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

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

Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision of impairment allowance. As at 31 December 2019, the balance of loss allowance in respect of these individually assessed receivables was RMB1,367,000 (2018: RMB1,347,000).

ECLs are estimated by grouping the remaining receivables based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward-looking information. The information about the Group's exposure to credit risk and ECLs for remaining receivables as at 31 December 2018 and 2019 is set out in the table in Note 28(a) below.

28. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

(iii) Deposits and other receivables

The Group makes periodic collective assessments as well as individual assessment on the recoverability of deposits and other receivables based on historical settlement records and past experience as well as ECL assessment. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of deposits and other receivables. Accordingly, the ECL rate on deposits and other receivables was assessed to be minimal and no provision was recognised for the year.

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

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

As at 31 December 2019, loss allowance provision was determined as follows:

	Expected loss rate *%*	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*	Net carrying amount *RMB'000*
Assessed collectively				
Within 3 months	0.03%	34,469	(10)	34,459
Within 4 to 12 months	0.31%	556	(2)	554
Assessed Individually				
Full expected loss	100%	1,367	(1,367)	–
Total		36,392	(1,379)	35,013

28. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

As at 31 December 2018, loss allowance provision was determined as follows:

	Expected loss rate %	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*	Net carrying amount *RMB'000*
Assessed collectively				
Within 3 months	0.04%	22,826	(9)	22,817
Assessed Individually				
Full expected loss	100%	1,347	(1,347)	–
Total		24,173	(1,356)	22,817

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

	2019 ***RMB'000***	2018 *RMB'000*
Balance at 1 January	**1,356**	1,271
Impairment losses recognised during the year	**23**	85
Balance at 31 December	**1,379**	1,356

The increase in impairment loss allowance of approximately RMB23,000 (2018: RMB85,000) was primarily due to increase in gross carrying amount of individually assessed credit-impaired trade receivables.

Normally, the Group does not obtain collateral from customers.

As at 31 December 2018 and 2019, the Group has concentration of credit risk on amounts due from fellow subsidiaries and a related company 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.

28. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk

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

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

	Carrying amount *RMB'000*	Total contractual undiscounted cash flows *RMB'000*	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*
As at 31 December 2019					
Trade payables	**17,545**	**17,545**	**17,545**	**–**	**–**
Accruals and other payables	**18,044**	**18,044**	**18,044**	**–**	**–**
	35,589	**35,589**	**35,589**	**–**	**–**
Lease liabilities	**13,859**	**14,968**	**5,705**	**4,615**	**4,648**

	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 2018					
Trade payables	14,762	14,762	14,762	–	–
Accruals and other payables	20,556	20,556	20,556	–	–
	35,318	35,318	35,318	–	–

(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) Fair value estimation

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

29. 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 2019 is categorised as follows:

	2019 *RMB'000*	2018 *RMB'000*
Financial assets:		
Financial assets measured at amortised cost	**178,138**	174,779
Financial liabilities:		
Financial liabilities measured at amortised cost	**49,448**	35,318

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities *RMB'000*
At 1 January 2019	12,082
Changes from cash flows:	
Payment of principal portion of lease payments	(4,554)
Payment of interest portion of lease payments	(673)
Total changes from financing cash flows	(5,227)
Non-cash changes:	
New lease liabilities	6,331
Interest expenses of lease liabilities	673
	7,004
At 31 December 2019	13,859

During the year ended 31 December 2018, the Group had no liabilities arising from financing activities.

31. RETIREMENT BENEFIT 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.

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2019 and 2018 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment and type of legal entity	Place of operations	Issued and fully paid capital/paid-in capital	Effective interest held by the Company		Principal activities
				Directly	Indirectly	
Fineland Property Services Holdings Limited	The BVI 16 February 2017 Limited liability company	The PRC	200 shares of US$200	100%	–	Investment holding
Fineland Real Estate Services Limited	Hong Kong 16 June 2016 Limited liability company	The PRC	10 shares of HK$10	–	100%	Investment holding
Guangzhou Fineland Property Consultancy Limited* 廣州方圓地產顧問有限公司	The PRC 17 March 1997 Limited liability company	The PRC	HK$60,000,000	–	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	RMB1,000,000	–	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	–	100%	Inactive
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	–	100%	Provision of property agency services
Guangzhou Fang Ying Real Estate Agency Limited* 廣州方赢房地產代理有限公司	The PRC 31 May 2018 Limited liability company	The PRC	RMB1,000,000	–	100%	Inactive
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	RMB600,000^ (2018: RMBNil^)	–	51%	Provision of property agency services

* The English translated names are for identification purpose only.

^ According to the articles of association of the subsidiary, the registered capital of the subsidiary is RMB1,000,000 of which RMB510,000 is to be contributed by the Group in 5 equal instalments of RMB102,000 by end of every two years up to 31 December 2027. There was no paid-in capital injected into the subsidiary as at 31 December 2018.

As at 31 December 2019, the aggregate paid-in capital was RMB600,000 of which the Group and the non-controlling interest contributed 51% and 49% respectively.

None of the subsidiaries had issued any debt securities at the end of the reporting period.

33. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	2019 *RMB'000*	2018 *RMB'000*
Non-current asset		
Interests in subsidiaries	**29,853**	36,130
Current asset		
Bank balances and cash	**137**	246
Current liabilities		
Accruals and other payables	**1,257**	1,101
Amounts due to subsidiaries	**3,493**	2,882
Total current liabilities	**4,750**	3,983
Net current liabilities	**(4,613)**	(3,737)
Total assets less current liabilities	**25,240**	32,393
Net assets	**25,240**	32,393
Capital and reserves		
Share capital	**3,403**	3,403
Reserves *(Note (i))*	**21,837**	28,990
Total equity	**25,240**	32,393

Approved and authorised for issue by the board of directors on 24 March 2020.

RONG Haiming
Executive Director

YI Ruofeng
Executive Director

Note:

(i) **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 2018	51,677	922	533	(21,390)	31,742
Loss for the year	–	–	–	(4,088)	(4,088)
Other comprehensive income					
Exchange differences on translation to presentation currency	–	–	1,336	–	1,336
Total comprehensive income for the year	–	–	1,336	(4,088)	(2,752)
As at 31 December 2018 and 1 January 2019	51,677	922	1,869	(25,478)	28,990
Loss for the year	–	–	–	(7,456)	(7,456)
Other comprehensive income					
Exchange differences on translation to presentation currency	–	–	303	–	303
Total comprehensive income for the year	–	–	303	(7,456)	(7,153)
As at 31 December 2019	51,677	922	2,172	(32,934)	21,837

34. 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 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 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 2018 and 2019, there were no share options granted, exercised, cancelled or lapsed under the Scheme.

35. EVENTS AFTER THE REPORTING DATE

The outbreak of Novel Coronavirus ("COVID-19") has affected the global economic environment since early 2020. Subject to the development and spread of COVID-19 subsequent to the end of the reporting period, further changes in economic conditions may have an impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial statements. The Group will closely and continuously monitor the situation regarding COVID-19 and proactively take action with an attempt to minimise its impact on the Group's financial position and operating results.

FIVE YEARS FINANCIAL SUMMARY

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Results					
Revenue	**256,275**	228,903	166,360	106,345	90,059
Profit/(loss) before income tax	**32,350**	41,396	(1,622)	20,890	19,005
Income tax	**(9,933)**	(11,280)	(5,023)	(5,563)	(6,112)
Profit/(loss) for the year	**22,417**	30,116	(6,645)	15,327	12,893

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets and liabilities					
Total assets	**210,398**	178,920	130,857	82,264	72,509
Total liabilities	**(81,803)**	(72,635)	(51,498)	(51,852)	(45,548)
Net assets	**128,595**	106,285	79,359	30,412	26,961

Note:

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

The financial information for the years ended 31 December 2016 and 2015 was extracted from the prospectus of the Company dated 31 October 2017.