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Fineland Real Estate Services Group Limited

方圓房地產服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 9978)

2020 INTERIM RESULTS ANNOUNCEMENT

The board (the “**Board**”) of directors (the “**Directors**”) of Fineland Real Estate Services Group Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2020. This announcement, containing the full text of the 2020 Interim Report of the Group, complies with the relevant requirements of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany preliminary announcements of interim results. The printed version of the Company’s 2020 Interim 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

Fineland Real Estate Services Group Limited

FONG Ming

Chairman

Hong Kong, 28 August 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. DU Chenhua and Mr. TIAN Qiusheng.

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INTERIM REPORT
2020



**FINELAND REAL ESTATE SERVICES
GROUP LIMITED**

方圓房地產服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 9978

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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, FCPA, FCCA, FCIS, FCS

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, FCPA, FCCA, FCIS, FCS
Mr. YI Ruofeng

Compliance officer

Mr. YI Ruofeng

Legal Advisers

As to Hong Kong Laws
Hogan Lovells

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

Ocorian 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

HIGHLIGHTS

- The Group recorded revenue of approximately RMB128.9 million for the six months ended 30 June 2020 (for the six months ended 30 June 2019: approximately RMB128.2 million).
- Profit attributable to owners of the Company for the six months ended 30 June 2020 amounted to approximately RMB2.7 million (for the six months ended 30 June 2019: approximately RMB8.3 million).
- The Directors do not recommend the payment of any dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

INTERIM RESULTS

The Board (the “Board”) of Directors (the “Directors”) of the Company hereby reports the unaudited condensed consolidated financial results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2020 (the “Period”) with the unaudited comparative figures for the six months ended 30 June 2019.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended 30 June	
	Notes	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	5	128,913	128,197
Other income and gains	6	1,740	1,287
Employee benefit expenses		(48,687)	(53,268)
Advertising, promotion and other commission expenses		(64,307)	(53,289)
Short-term leases expenses		(1,946)	(1,716)
Depreciation of property, plant and equipment		(429)	(584)
Depreciation of right-of-use assets		(2,032)	(2,475)
Expected credit loss on financial assets		(58)	(56)
Other operating expenses	7(b)	(4,053)	(5,682)
Listing expenses		(5,367)	–
Finance cost		(230)	(335)
Profit before income tax	7(a)	3,544	12,079
Income tax	8	(931)	(3,699)
Profit for the period		2,613	8,380
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(507)	112
Total comprehensive income for the period		2,106	8,492
Profit attributable to:			
Owners of the Company		2,710	8,324
Non-controlling interests		(97)	56
		2,613	8,380
Total comprehensive income attributable to:			
Owners of the Company		2,203	8,436
Non-controlling interests		(97)	56
Total comprehensive income for the period		2,106	8,492
		RMB cents	RMB cents
Earnings per share			
— Basic and diluted	10	0.68	2.08

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2020*

	Notes	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	2,662	2,286
Right-of-use assets	12(a)	7,484	13,277
Deposits paid for acquisition of property, plant and equipment		—	897
Total non-current assets		10,146	16,460
Current assets			
Trade receivables	13	50,406	35,013
Deposits, prepayments and other receivables		21,784	23,991
Amounts due from fellow subsidiaries	14	33,350	21,712
Amount due from a related company	14	12,500	14,560
Bank balances and cash	15	90,514	98,662
Total current assets		208,554	193,938
Current liabilities			
Trade payables	16	26,544	17,545
Contract liabilities		10,592	7,978
Accruals and other payables		26,262	24,183
Lease liabilities	12(b)	3,529	5,561
Tax payable		15,082	16,207
Total current liabilities		82,009	71,474
Net current assets		126,545	122,464
Total assets less current liabilities		136,691	138,924
Non-current liabilities			
Lease liabilities	12(b)	4,416	8,298
Deferred tax liabilities		1,574	2,031
Total non-current liabilities		5,990	10,329
Net assets		130,701	128,595
Capital and reserves			
Share capital	17	3,403	3,403
Reserves		126,850	124,647
Equity attributable to owners of the Company		130,253	128,050
Non-controlling interests		448	545
Total equity		130,701	128,595

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY*For the six months ended 30 June 2020*

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Exchange reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Equity attributable to owners of the Company <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
As at 1 January 2020	3,403	51,677	5,987	7,982	(3,079)	62,080	128,050	545	128,595
Profit for the period	-	-	-	-	-	2,710	2,710	(97)	2,613
Exchange differences on translation of foreign operations	-	-	-	-	(507)	-	(507)	-	(507)
Total comprehensive income for the period	-	-	-	-	(507)	2,710	2,203	(97)	2,106
As at 30 June 2020	3,403	51,677	5,987	7,982	(3,586)	64,790	130,253	448	130,701
As at 1 January 2019	3,403	51,677	5,987	6,782	(2,678)	41,115	106,286	(1)	106,285
Profit for the period	-	-	-	-	-	8,324	8,324	56	8,380
Exchange differences on translation of foreign operations	-	-	-	-	112	-	112	-	112
Total comprehensive income for the period	-	-	-	-	112	8,324	8,436	56	8,492
Capital injected by non- controlling interest	-	-	-	-	-	-	-	294	294
As at 30 June 2019	3,403	51,677	5,987	6,782	(2,566)	49,439	114,722	349	115,071

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2020*

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from/(used in) operating activities	(6,210)	9,411
Net cash generated from/(used in) investing activities	730	1,612
Net cash used in financing activities	(2,161)	(2,496)
Net increase/(decrease) in cash and cash equivalents	(7,641)	8,527
Effect of foreign exchange rate changes	(507)	112
Cash and cash equivalents at beginning of the period	98,662	109,754
Cash and cash equivalents at end of the period	90,514	118,393

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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. Since 15 November 2017, its shares have been listed on GEM of the Stock Exchange, and the shares has been transferred from GEM to the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 28 May 2020.

The principal activities of 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 ("**Mansion Green**") and Widethrive Investments Limited ("**Widethrive Investments**"), respectively, companies incorporated in the British Virgin Islands (the "**BVI**") with limited liability.

2. BASIS OF PREPARATION

(a) Statement of compliance

These unaudited condensed financial statements have been prepared in accordance Hong Kong Accounting Standards ("**HKASS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of the Rules Governing the Listing of Securities on Stock Exchange (the "**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 from which all of the Group's revenue and operating profit were generated. The functional currency of the Company is Hong Kong dollars ("**HK\$**"). All values are rounded to the nearest thousand of RMB ("**RMB'000**") except when otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparing the interim financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 December 2019 (the "**2019 Financial Statements**"), except for the new and revised Hong Kong Financial Reporting Standards, amendments and interpretations (collectively "**new and revised HKFRSs**") issued by the HKICPA which have become effective in this period as detailed below.

Adoption of new or revised standards and interpretations relevant to the Group and effective on 1 January 2020:

Amendments to HKFRS 3

Definition of a Business

Amendments to HKAS 1 and HKAS 8

Definition of Material

The new or revised standards and interpretations did not have any material effect on the Group's accounting policies.

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

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.

4. SEGMENT REPORTING

The Group is principally engaged in provision of comprehensive real estate agency services. The executive Directors, 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.

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 for 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:

	Six months ended 30 June	
	2020	2019
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Fineland Real Estate Holdings Company Limited (“ Fineland Real Estate ”) and its subsidiaries (collectively the “ Fineland Group ”)	76,974	50,473

5. REVENUE

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from customers recognised at point in time:		
Real estate agency service income (including online property referral and agency service income*)	128,016	126,637
Property research and consultancy service income	140	666
Integrated services income	757	894
	128,913	128,197

* Online property referral and agency service income amounted to approximately RMB81,447,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB73,496,000).

6. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income	713	1,175
Exchange gains, net	472	–
Government grants	317	–
Gain on modification of leases	222	–
Other income	16	112
	1,740	1,287

7. PROFIT BEFORE INCOME TAX AND OTHER OPERATING EXPENSES

(a) Profit before income tax

This is arrived at after charging/(crediting):

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Auditor's remuneration	75	41
Loss/(gain) on disposal of property, plant and equipment	75	(106)
Listing expenses (Note)	5,367	–
Finance costs: Interest expenses on lease liabilities	230	335

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

7. PROFIT BEFORE INCOME TAX AND OTHER OPERATING EXPENSES (Continued)**(b) Other operating expenses**

	Six months ended 30 June	
	2020	2019
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Office expenses	722	924
Travelling expenses	945	1,175
Business entertainment expenses	367	560
Legal and professional fees	1,137	1,626
Taxation expenses	457	479
Others	425	918
Total	4,053	5,682

Note: Others included individual items less than RMB200,000, such as bank charges, insurance expenses, motor vehicle expenses, repairs and maintenance, and other miscellaneous expenses.

8. INCOME TAX

The amounts of income tax in the unaudited consolidated statement of profit or loss and other comprehensive income represent:

	Six months ended 30 June	
	2020	2019
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Current tax — PRC Enterprise Income Tax ("EIT")	931	3,699

- (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 periods.
- (ii) Provision for the PRC EIT is calculated at a statutory tax rate of 25% (2019: 25%) of the estimated assessable profit as determined in accordance with the relevant EIT law in the PRC.

9. DIVIDEND

The Directors do not recommend the payment of a dividend for the six months ended 30 June 2020 (2019: nil).

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to the owners of the Company	2,710	8,324
Weighted average number of ordinary shares in issue during the period 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 six months ended 30 June 2020 and 2019.

11. PROPERTY, PLANT AND EQUIPMENT

	As at 31 December 2019 RMB'000 (Audited)	Addition RMB'000	Disposal RMB'000	As at 30 June 2020 RMB'000 (Unaudited)
Cost	7,116	924	(277)	7,763
Accumulated depreciation	(4,830)	(430)	159	(5,101)
Carrying amounts	2,286	494	(118)	2,662

12. 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 whether the extension options will be exercised and the Group is reasonably certain that the termination option of the lease agreements will not be exercised. 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 asset

During the six months ended 30 June 2020, right-of-use assets with a net book value of RMB3,761,000 were disposed during the six months ended 30 June 2020 (additions for six months ended 30 June 2019: RMB4,385,000), resulting in a gain on disposal of RMB222,000 (six months ended 30 June 2019: Nil).

12. LEASES *(Continued)***(b) Lease liabilities**

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Current liabilities	3,529	5,561
Non-current liabilities	4,416	8,298
	7,945	13,859

Included in the current lease liabilities is an amount with a related party of RMB138,000.

13. TRADE RECEIVABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Trade receivables	51,843	36,392
Less: Impairment losses	(1,437)	(1,379)
	50,406	35,013

Trade receivables mainly represent real estate agency service income receivables from customers whereby no general credit terms are granted. The customers are obliged to settle the amounts due upon completion of or pursuant to the terms and conditions of the relevant agreements. The aging analysis of trade receivables (net of impairment loss) based on invoice date (which is also the due date) as at 30 June 2020 is as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Within 3 months	49,687	34,459
4 to 12 months	719	554
	50,406	35,013

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

No interest is charged on trade receivables.

13. TRADE RECEIVABLES *(Continued)*

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

As at 30 June 2020, the Group applies the simplified approach to provide for the expected credit loss ("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. As at 30 June 2020, a provision of RMB58,000 (31 December 2019: RMB23,000) was made against the gross amounts of trade receivables.

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
At beginning of the period/year	(1,379)	(1,356)
Impairment loss recognised	(58)	(23)
At end of the period/year	(1,437)	(1,379)

14. AMOUNTS DUE FROM FELLOW SUBSIDIARIES AND A RELATED COMPANY

The amounts due from fellow subsidiaries and a related company as at 31 December 2019 and as at 30 June 2020 are trade in nature, unsecured and interest-free and the fellow subsidiaries and a related company are obliged to settle the amounts due upon completion of or pursuant to the terms and conditions of the relevant agreements. The related company is an investee company of the Finland Group and there were common directors between Finland Real Estate and the investee company.

As at 30 June 2020, 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 amounts due from fellow subsidiaries and a related company that are trade in nature. To measure the ECLs, these balances have been grouped based on shared credit risk characteristics and the days past due.

The Directors consider that there are no significant credit risk on amounts due from fellow subsidiaries and the related company due to the past payment history and taking into account of the sound financial performance and position of the fellow subsidiaries and a related company to meet contractual cash flow obligations in the near term. Accordingly, the ECL rate on amounts due from fellow subsidiaries and a related company was assessed to be minimal and no provision was made for the period.

15. BANK BALANCES AND CASH

As at 31 December 2019 and as at 30 June 2020, bank balances carry interest at prevailing deposit rates.

As at 30 June 2020, the Group had bank balances of approximately RMB86,999,000 (as at 31 December 2019: RMB94,521,000), which are deposits with banks in the PRC and denominated in RMB, and RMB is not a freely convertible currency.

16. TRADE PAYABLES

The amount mainly represented the commissions payable to co-operative real estate agents. The ageing analysis of trade payables based on invoice date as at 30 June 2020 is as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Within 3 months	26,544	17,545

17. SHARE CAPITAL

The share capital as at 30 June 2020 represented the issued share capital of the Company as detailed below:

	Number	Amount HK\$'000
Ordinary shares at par value of HK\$0.01 each		
Authorised		
As at 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2020	10,000,000,000	100,000

	Number	Amount HK\$'000	Amount RMB'000
Issued and fully paid			
As at 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2020	400,000,000	4,000	3,403

18. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitment

As at 30 June 2020, the Group's capital commitment was as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Capital expenditure, contracted for but not provided for, in respect of:		
Acquisition of property, plant and equipment	—	370

(b) Contingent liability

As at 30 June 2020, the Group did not have any significant contingent liability.

19. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Real estate agency service income from fellow subsidiaries (including online property referral and agency service income)	64,931	49,374
Property research and consultancy service income from fellow subsidiaries	94	57
Integrated services income from fellow subsidiaries	53	712
	65,078	50,143
Other research service income from fellow subsidiaries	–	330
Real estate agency service income from a related company (including online property referral and agency service income)	11,896	–
Short-term leases expenses to fellow subsidiaries	1,913	925
Operating lease charges to a related party (Note)	152	134
Consultancy fee to a fellow subsidiary	485	–
Deposits paid for acquisition of property, plant and equipment to a fellow subsidiary	–	20

The above transactions were conducted on mutually agreed terms.

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

20. EVENTS AFTER REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group engages in property agency services, with a focus mainly on 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. Since the successful listing on GEM of the Stock Exchange (the “**GEM**”) on 15 November 2017 by way of share offer, there has been no significant change in the business operations. The listing of the Company has been transferred from GEM to the Main Board (the “**Main Board**”) of the Stock Exchange since 28 May 2020 (the “**Transfer of Listing**”).

Since the outbreak of COVID-19 in late 2019 and early 2020 and the ensuing effects on the economy and disruption to operations of real estate companies, significant measures taken by the Chinese government and by private sector organisations have mitigated the adverse impact gradually. Local governments have implemented a series of relief measures to ease operational pressure on companies in the property development and real estate agency industry. Since March 2020, average price increases have been recorded for a hundred cities across the nation in the primary commodity residential properties sector. In the second quarter of 2020, as the spread of COVID-19 was controlled in the PRC and the economy gradually recovered, the average selling price in the primary commodity residential properties sector in June 2020 increased by approximately 3.16% compared to that in the previous year. With the normalization of the epidemic situation, the domestic financial environment is expected to remain relatively stable, and sufficient liquidity is expected to provide support for economic recovery and development. The domestic property industry is still an important cornerstone of economic growth and it is expected that relevant government policies will remain stable. In turn, this will also benefit the real estate market by reducing financing costs for real estate enterprises and decreasing the costs of housing purchases.

For the six months ended 30 June 2020, the Group recorded total revenue of approximately RMB128.9 million, representing a slight increase by approximately 0.6%, from RMB128.2 million for the six months ended 30 June 2019. The increase is mainly due to the expansion of real estate agency services, in particular online property referral agency services in the Greater Bay Area. After the entry into Qingyuan and Huizhou markets in 2017, Heyuan market in 2018, Zhongshan market in 2019 and Meizhou market in 2020, the Group’s services currently cover a majority of the cities in the Greater Bay Area.

Property research and consultancy services

The Group’s property research and consultancy services are for the primary property market and mainly provided to property developers. Property research and consultancy services recorded revenue of approximately RMB140,000 for the six months ended 30 June 2020, representing a decrease of 79.0% from approximately RMB666,000 for the six months ended 30 June 2019, which is mainly due to a decrease in the number of projects undertaken by the Group from 5 to 2, and also a decrease in average revenue from each project.

Real estate agency services

Real estate agency services accounted for approximately 99.3% of the Group’s revenue for the six months ended 30 June 2020 and is therefore the Group’s largest business segment. The real estate agency service business revenue increased by approximately RMB1.4 million, representing a slight increase of 1.1%, to approximately RMB128.0 million for the six months ended 30 June 2020 when compared with approximately RMB126.6 million for the six months ended 30 June 2019.

For primary market real estate agency services, with the entry into Meizhou market in the first half of 2020, the Group provided agency services for 153 projects for the six months ended 30 June 2020 (six months ended 30 June 2019: 166). Although total number of projects dropped by 7.8%, that of online property referral and agency services increased by 37.8% from 37 projects for the six months ended 30 June 2019 to 51 for the six months ended 30 June 2020, and revenue contributed from, and commission rate charged on, each project using the online property and referral service is usually higher than traditional real estate agency services. A percentage of revenue received from each of these projects will be split with other third party real estate agencies and recorded as commission expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has 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 of new outlets and closing down or not renewing leases upon expiry for outlets with less competitive advantage in terms of cost and revenue generated. For the six months ended 30 June 2020, the Group closed down 4 outlets, which brought the number of outlets of the Group down to 36 as at 30 June 2020 (as at 30 June 2019: 40).

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 RMB73.5 million for six months ended 30 June 2019 by 10.8% to RMB81.4 million for the six months ended 30 June 2020, which was primarily due to the increase in the number of projects utilising the platform from 37 to 51, and the larger scale of certain new projects in terms of gross floor area (GFA) or number of units.

Integrated services

The Integrated Services segment refers to the wide range of value-added services provided by the Group to customers including property developers, individual customers and companies. These services include *Zhaoshangyi* and One-stop Service Centre. Revenue generated from Integrated Services for the six months 30 June 2020 decreased by approximately 15.3% to approximately RMB0.8 million compared with approximately RMB0.9 million for the six months ended 30 June 2019.

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 six months ended 30 June 2020, revenue generated from *Zhaoshangyi* amounted to approximately RMB194,000, representing a decrease of approximately 70.5% compared with approximately RMB657,000 for the six months ended 30 June 2019, which was primarily due to disruption of *Zhaoshangyi* business as it was negatively impacted by the Covid-19 outbreak.

One-stop Service Centre

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. For the six months ended 30 June 2020, revenue generated from the One-stop Service Centre services was approximately RMB563,000, representing an increase of approximately 136.6% compared with approximately RMB238,000 for the six months ended 30 June 2019, which was primarily due to a significant increase in revenue from one project the Company handled.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue for the six months ended 30 June 2020 was approximately RMB128.9 million, representing an increase of approximately 0.6% compared to approximately RMB128.2 million for the six months ended 30 June 2019. Such increase was primarily attributable to the increase in revenue generated from online property referral and agency services income of approximately RMB8.0 million, which were in turn primarily driven by an increase in number of projects and transaction volume.

Employee benefit expenses

Employee benefit expenses decreased by 8.6% to approximately RMB48.7 million for the six months ended 30 June 2020 from approximately RMB53.3 million for the six months ended 30 June 2019. This decrease is mainly due to the decrease in numbers of total employees hired during the Period from over 750 employees as of 30 June 2019 to about 655 as of 30 June 2020.

Advertising, promotion and other commission expenses

The Group recorded approximately RMB64.3 million for advertising, promotion and other commission expenses for the six months ended 30 June 2020, representing a 20.7% increase compared to RMB53.3 million for the six months ended 30 June 2019. This increase was primarily due to the increase in revenue from the online property referral and agency services, resulting in an increase in the commission that was split to real estate agents that brought in buyers, which was recorded under advertising, promotion and other commission expenses.

Short-term leases expenses

The Group recorded approximately RMB1.9 million for short-term leases expenses for the six months ended 30 June 2020, representing a 13.4% increase compared to RMB1.7 million for the six months ended 30 June 2019. This increase was primarily due to the increase of short-term unit-price for rental space and the office lease, which was renewed during the Period.

Depreciation of right-of-use assets

The Group recorded depreciation of right-of-use assets of approximately RMB2.0 million for the six months ended 30 June 2020, representing a decrease of approximately 17.9% compared to RMB2.5 million for the six months ended 30 June 2019, was due to the decrease in numbers of outlets.

Other operating expenses

The Group recorded other operating expenses of approximately RMB4.1 million for the six months ended 30 June 2020, representing a decrease of approximately 28.7% compared to approximately RMB5.7 million for the six months ended 30 June 2019, which was mainly driven by a decrease in office expenditures, business travelling fees and professional fees.

Listing expenses

The Group recorded approximately RMB5.4 million of listing expenses for the six months ended 30 June 2020, compared to nil for the six months ended 30 June 2019. These were mainly professional fees relating to its application for and transfer of listing from GEM to the Main Board.

MANAGEMENT DISCUSSION AND ANALYSIS

Net Profit Margin

The net profit margin decreased to 2.0% for the six months ended 30 June 2020 as compared to 6.6% for the six months ended 30 June 2019. This decrease was mainly due to the increase in advertising, promotion and other commission expenses and listing expenses in relation to the Transfer of Listing.

Profit for the Period

As a result of the factors discussed above, the Group made a profit before income tax for the Period of approximately RMB3.5 million, compared to approximately RMB12.1 million for the six months ended 30 June 2019.

The Group's profit for the Period decreased from RMB8.4 million for the six months ended 30 June 2019 to RMB2.6 million for the six months ended 30 June 2020, which was mainly due to the non-recurring listing expenses in relation to the Transfer of Listing of approximately RMB5.4 million incurred during the Period.

Liquidity, financial resources and capital structure

In 2020, the Group's main source of funds has been cash generated from operating activities and for the six months ended 30 June 2020, the Company had a net decrease in cash and cash equivalents of approximately RMB7.6 million (for the six months ended 30 June 2019: net increase in cash and cash equivalents of approximately RMB8.5 million).

As at 30 June 2020 the Group had net current assets of approximately RMB126.5 million (as at 31 December 2019: approximately RMB122.5 million) and total assets of approximately RMB218.7 million (as at 31 December 2019: approximately RMB210.4 million).

As at 30 June 2020, the bank balances and cash of the Group amounted to approximately RMB90.5 million (as at 31 December 2019: approximately RMB98.7 million).

Indebtedness

As at 30 June 2020, the Group did not have any short-term borrowings (as at 31 December 2019: Nil) nor long term borrowings (as at 31 December 2019: Nil).

Foreign Exchange Risks

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

Gearing Ratio

The gearing ratio (calculated as total liabilities divided by total assets) was 40% as at 30 June 2020, as compared to 39% as at 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Employees and the Group's remuneration policy

The Group recognizes the accomplishment of the employees by providing comprehensive benefit packages, 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 were found in the period under review. The table below sets out the number of employees within different business segments as at 30 June 2020:

Management and administration	5
Property research and consultancy services	51
Real estate agency services	584
Integrated services	15
Total	655

Principal risks and uncertainties

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

The Group's business is 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 agent 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. These property markets may be affected by local, regional, national, and global factors, including economic and financial conditions, speculative activities in local markets, the demand for and supply of properties, the availability of alternative investment choices for property buyers, inflation, government policies, interest rates, and the availability of capital. 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. Further restrictive measures 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 with the property developers and the purchasers. 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. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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. 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 of land for property development, which could directly impact the Group's property research and consultancy 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.

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.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct for securities transactions by Directors on terms equivalent to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the 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 six months ended 30 June 2020.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, 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 position in the Shares of the Company as at the date of this report:

Name	Nature of interest	Total number of shares held	Percentage of shareholding
Mr. FONG Ming ("Mr. Fong")	Interest in controlled corporation ⁽¹⁾	216,000,000	54%
Ms. TSE Lai Wa ("Ms. Tse")	Interest in controlled corporation ⁽¹⁾	216,000,000	54%
Ms. RONG Haiming ("Ms. Rong")	Interest in controlled corporation ⁽²⁾	24,000,000	6%
Mr. YI Ruofeng ("Mr. Yi")	Interest in controlled corporation ⁽³⁾	6,300,000	1.575%

Notes:

- 216,000,000 Shares are registered in the name of Mansion Green, which is held 70% by Mr. Fong's holding companies (including Stand Smooth Group Limited ("Stand Smooth"), which is held as to 100% by Hero Dragon Management Limited ("Hero Dragon"), which is in turn held as to 100% by Fineland Group Holdings Company Limited ("Fineland Real Estate", formerly known as Fineland Real Estate Holdings Company Limited) and Widethrive Investments) and 30% by Aspiring Vision Holdings Limited ("Aspiring Vision"), which is wholly-owned by Ms. Tse.
- 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. Ms. Rong sold 500,000 shares in May and June 2020, after which Ms. Rong is interested in a total of 24,000,000 Shares, representing 6.0% of the entire issued share capital of the Company.
- Shares are held by Totoro Holding Limited ("Totoro"), which is wholly-owned by Mr. Yi. Totoro sold 2,700,000 Shares in May and June 2020, after which Mr. Yi is interested in a total of 6,300,000 Shares, representing 1.575% of the entire issued share capital of the Company.

- (ii) Associated corporation

Apart from the foregoing, as at 30 June 2020, none of the Directors nor the chief executives of the Company had any interests or short positions 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.

DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, the following persons (other than Directors or chief executive of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules:

Long Positions in Shares:

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

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 30 June 2020, 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.

OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' and Chief Executives' Interests or Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the six months ended 30 June 2020 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed 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 six months ended 30 June 2020.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 23 October 2017. As at 30 June 2020, no option had been granted, agreed, exercised, cancelled or lapsed under the Scheme, and there was no share option outstanding.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board has reviewed the Group's corporate governance practices and is satisfied that during the six months ended 30 June 2020, the Company had complied with all the code provisions set out in the Appendix 14 Corporate Governance Code and Corporate Governance Report of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The Directors are not aware of any business or interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates that competes or may compete, directly or indirectly, with the Group's business and any other conflicts of interest which any such person has or may have with the Group during the six months ended 30 June 2020.

COMPETITION AND CONFLICT OF INTERESTS

During the six months ended 30 June 2020, save as disclosed in the prospectus of the Company dated 31 October 2017, none of the Directors or controlling shareholders of the Company or any of their respective close 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.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2020 and up to the date of this report.

OTHER INFORMATION

REVIEW BY AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) on 23 October 2017 with written terms of reference which were revised and adopted on 26 May 2020 in compliance with Rule 3.21 of the Listing Rules. The primary duties of the Audit Committee are to assist the Board in reviewing and supervising the financial reporting process and internal control system of the Group. At present, the Audit Committee consists of three members who are Mr. LEUNG Wai Hung, Mr. TIAN Qiusheng and Mr. DU Chenhua, Mr. LEUNG Wai Hung has been appointed as the chairman of the Audit Committee.

The unaudited interim results of the Group for the six months ended 30 June 2020 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited interim results comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2020.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our shareholders, business partners and customers for their continuous support to the Group. I would also extend my gratitude and appreciation to all the Directors, management and staff for their hard work and dedication throughout the period.

By Order of the Board
Mr. FONG Ming
Chairman

Hong Kong, 28 August 2020

As at the date of this report, 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.