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Fineland Living Services Group Limited

方圓生活服務集團有限公司

(formerly known as Fineland Real Estate Services Group Limited 方圓房地產服務集團有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9978)

2022 INTERIM RESULTS ANNOUNCEMENT

The board (the “**Board**”) of directors (the “**Directors**”) of Fineland Living 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 2022. This announcement, containing the full text of the 2022 interim report of the Group (the “**2022 Interim Report**”), 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 of the Company. The printed version of the 2022 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 Living Services Group Limited
HAN Shuguang
Chairman

Hong Kong, 30 August 2022

As at the date of this announcement, the executive Directors are Mr. HAN Shuguang, 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, Dr. LIAO Junping, Mr. DU Chenhua and Mr. TIAN Qiusheng.



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CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-executive Director

Mr. FONG Ming

Independent non-executive Directors

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

Company secretary

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

Audit committee

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

Remuneration committee

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

Nomination committee

Mr. HAN Shuguang (*Chairman*)
Mr. LIAO Junping
Mr. TIAN Qiusheng

Authorised representatives

Mr. TSO Ping Cheong, Brian
Mr. YI Ruofeng

Legal Advisers

As to Hong Kong Laws
Hogan Lovells

As to PRC Laws
Beijing Jingtian & Gongcheng Law Firm

Auditor

BDO Limited

Principal bankers

Industrial Bank Company Limited,
Guangzhou Tianhe branch

Industrial and Commercial Bank of China,
Guangzhou Liuhua branch

China Construction Bank,
Guangzhou Dongbao Building branch

Registered office

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

Headquarters in the PRC

No. 28 Tiyu East Road
Tianhe District
Guangzhou
PRC

Principal place of business in Hong Kong

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

Hong Kong Share Registrar

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

Principal share registrar and transfer office

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

Company's website address

www.finelandassets.com

HIGHLIGHTS

- The Group recorded revenue of approximately RMB277.8 million for the six months ended 30 June 2022 (for the six months ended 30 June 2021: approximately RMB264.4 million).
- Profit attributable to owners of the Company for the six months ended 30 June 2022 amounted to approximately RMB9.8 million (for the six months ended 30 June 2021: approximately RMB11.1 million).
- The Directors do not recommend the payment of any dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: 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 2022 (the “Period”) with the unaudited comparative figures for the six months ended 30 June 2021.

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

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	5	277,785	264,373
Cost of services		(215,717)	(210,467)
Gross profit		62,068	53,906
Other income and gains/(losses), net	6	2,918	1,657
Selling and marketing expenses		(601)	(3,595)
Administrative expenses		(39,184)	(31,311)
Impairment losses of trade and other receivables		(6,984)	(2,694)
Finance costs		(430)	(163)
Profit before income tax	7	17,787	17,800
Income tax	8	(354)	(2,635)
Profit for the period		17,433	15,165
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(1,787)	567
Total comprehensive income for the period		15,646	15,732
Profit attributable to:			
Owners of the Company		9,755	11,090
Non-controlling interests (“NCI”)		7,678	4,075
		17,433	15,165
Total comprehensive income attributable to:			
Owners of the Company		7,968	11,657
NCI		7,678	4,075
		15,646	15,732
		<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share for profit attributable to owners of the Company			
— Basic and diluted	10	2.44	2.77

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	10,114	13,355
Right-of-use assets	12(a)	1,516	3,940
Goodwill		45,623	31,333
Other intangible assets		31,649	29,146
Deferred tax assets		4,833	2,716
Total non-current assets		93,735	80,490
Current assets			
Trade receivables	13	114,421	94,129
Deposits, prepayments and other receivables		39,398	33,924
Amounts due from fellow subsidiaries	14	141,811	104,142
Amounts due from related companies	14	71,275	50,633
Amounts due from NCI	14	11,217	11
Financial assets at fair value through profit or loss	15	510	500
Bank balances and cash	16	74,301	90,342
Total current assets		452,933	373,681
Current liabilities			
Trade payables	17	74,333	56,033
Contingent consideration payable		–	6,129
Contract liabilities		44,951	38,055
Accruals and other payables		114,619	111,230
Bank borrowing	18	40,000	–
Lease liabilities	12(b)	489	1,291
Amounts due to fellow subsidiaries	14	7,899	5,296
Amounts due to related companies	14	19	329
Amounts due to NCI	14	2,122	–
Tax payable		12,675	12,336
Total current liabilities		297,107	230,699
Net current assets		155,826	142,982
Total assets less current liabilities		249,561	223,472
Non-current liabilities			
Contingent consideration payables		11,431	5,638
Lease liabilities	12(b)	1,071	2,697
Deferred tax liabilities		10,798	10,087
Total non-current liabilities		23,300	18,422
Net assets		226,261	205,050
Capital and reserves			
Share capital	19	3,403	3,403
Reserves		163,473	155,440
Equity attributable to owners of the Company		166,876	158,843
NCI		59,385	46,207
Total equity		226,261	205,050

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Equity attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2022	3,403	51,677	5,987	12,953	(36)	84,859	158,843	46,207	205,050
Profit for the period	-	-	-	-	-	9,755	9,755	7,678	17,433
Exchange differences on translation of foreign operations	-	-	-	-	(1,787)	-	(1,787)	-	(1,787)
Total comprehensive income for the period	-	-	-	-	(1,787)	9,755	7,968	7,678	15,646
Acquisition of subsidiaries (Note 22)	-	-	-	-	-	-	-	7,831	7,831
Acquisition of NCI	-	-	65	-	-	-	65	(1,331)	(1,266)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(1,000)	(1,000)
As at 30 June 2022	3,403	51,677	6,052	12,953	(1,823)	94,614	166,876	59,385	226,261
As at 1 January 2021	3,403	51,677	5,987	11,234	(1,293)	69,742	140,750	1,306	142,056
Profit for the period	-	-	-	-	-	11,090	11,090	4,075	15,165
Exchange differences on translation of foreign operations	-	-	-	-	567	-	567	-	567
Total comprehensive income for the period	-	-	-	-	567	11,090	11,657	4,075	15,732
Acquisition of subsidiaries	-	-	-	-	-	-	-	34,788	34,788
Dividends approved in respect of the previous period	-	-	-	-	-	(3,361)	(3,361)	-	(3,361)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(1,869)	(1,869)
As at 30 June 2021	3,403	51,677	5,987	11,234	(726)	77,471	149,046	38,300	187,346

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(37,599)	(70,245)
Net cash (used in)/generated from investing activities	(16,622)	35,156
Net cash generated from/(used in) financing activities	38,142	(6,813)
Net decrease in cash and cash equivalents	(16,079)	(41,902)
Effect of foreign exchange rate changes	38	567
Cash and cash equivalents at beginning of the period	90,342	138,481
Cash and cash equivalents at end of the period	74,301	97,146

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 Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located at Unit B, 17/F., United Centre, 95 Queensway, Admiralty, Hong Kong.

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

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

2. BASIS OF PREPARATION

(a) Statement of compliance

These unaudited condensed consolidated 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 The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

(b) Basis of measurement

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

(c) Functional and presentation currency

The financial statements are presented in Renminbi ("**RMB**"), which is the functional currency of the Company's subsidiaries established in the PRC 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 2021 (the "**2021 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 and the inclusion of the following additional accounting policies of "Financial liabilities" and "Borrowings costs" as adopted by the Group.

The Directors were not aware of any material impact from the application of the new and revised HKFRSs in the financial statements of the Group for the six months ended 30 June 2022 and in the future.

Financial instruments

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 amortised cost

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

Borrowings costs

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

4. SEGMENT REPORTING

The Group has determined its operating segments and prepared segmental information based on regular internal financial information that is based on a measure of operating results reported to the chief operating decision makers, i.e. the executive Directors of the Company, who are responsible for making strategic decisions. The executive Directors review the Group's internal reporting in order to assess the performance and allocate the resources and have determined the operating segments based on these reports. The Group's reportable and operating segments for the six months ended 30 June 2022 are as follows:

- (i) provision of comprehensive real estate agency services; and
- (ii) provision of professional property management services.

4. SEGMENT REPORTING *(Continued)*

Reportable segments

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

	Six months ended 30 June 2022		
	Provision of comprehensive real estate agency services <i>RMB'000</i> (Unaudited)	Provision of professional property management services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment revenue			
External sales	77,282	200,503	277,785
Intersegment sales	59	3	62
<i>Reconciliation</i>			
Elimination of intersegment sales	(59)	(3)	(62)
Total revenue	77,282	200,503	277,785
Segment results	10,426	39,427	49,853
<i>Reconciliation:</i>			
Fair value loss on contingent consideration payable			(57)
Unallocated corporate expenses			(32,009)
Profit before income tax			17,787

4. SEGMENT REPORTING *(Continued)*

	Six months ended 30 June 2021		
	Provision of comprehensive real estate agency services <i>RMB'000</i> (Unaudited)	Provision of professional property management services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment revenue			
External sales	135,635	128,738	264,373
Intersegment sales	–	1,656	1,656
<i>Reconciliation</i>			
Elimination of intersegment sales	–	(1,656)	(1,656)
Total revenue	135,635	128,738	264,373
Segment results	14,934	9,062	23,996
<i>Reconciliation:</i>			
Unallocated corporate expenses			(6,196)
Profit before income tax			17,800

Unallocated corporate expenses mainly comprises legal and professional fees and salaries and allowances for the six months ended 30 June 2022 and 2021.

Segment assets and liabilities

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

4. SEGMENT REPORTING *(Continued)*

Geographical information

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

Information about major customers

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fineland Group Holdings Company Limited ("Fineland Group Holdings") and its subsidiaries* (collectively the "Fineland Group")	37,806	58,645
Investee company of the Fineland Group [#]	–	32,151

[#] The revenue during the six months ended 30 June 2022 did not contribute over 10% of the total revenue of the Group for that period.

5. REVENUE

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

		Six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Real estate agency services			
Real estate agency services income	at a point in time	77,282	135,635
Property management services			
Property management services income	over time	148,356	85,547
Value-added services to non-property owners	over time	24,120	19,559
Community value-added services			
– Other value-added services	over time	23,405	23,072
– Sale of goods	at a point in time	2,177	560
Software service income	over time	2,445	–
		277,785	264,373

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income	134	741
Exchange gains, net	1,783	–
Government grants (Note)	1,282	758
Gain on lease modifications (Note 12(a))	51	98
Fair value gain on financial assets at fair value through profit or loss	10	–
Fair value loss on contingent consideration payable	(57)	–
Loss on disposal of a subsidiary (Note 23)	(1,326)	–
Recovery of trade and other receivables after acquisition	882	–
Other income	159	60
	2,918	1,657

Note:

The amounts mainly represent refunds of value-added tax and other taxes benefits from the PRC tax authorities.

7. PROFIT BEFORE INCOME TAX

This is arrived at after charging/(crediting):

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Auditor's remuneration	122	195
Amortisation of other intangible assets (included in administrative expenses)	3,011	1,684
Depreciation of property, plant and equipment	1,989	784
Depreciation of right-of-use assets	476	1,453
Exchange (gains)/losses, net	(1,783)	654
Loss on disposal of property, plant and equipment (Note 11)	50	1
Finance costs:		
— Interest expenses on lease liabilities	65	163
— Interest expenses on bank borrowing	365	–
Employee benefit expenses	120,812	104,106
Short-term lease expenses	3,688	2,756

8. INCOME TAX

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax — PRC Enterprise Income Tax ("EIT")	3,177	4,518
Deferred tax	(2,823)	(1,883)
	354	2,635

- (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) Under the PRC EIT Law, the Group's PRC entities are subject to income tax at a rate of 25%, except that certain subsidiaries are qualified as small enterprises and micro businesses and enjoy a preferential income tax rate of 2.5% and 5% respectively for the six months ended 30 June 2022.

9. DIVIDEND

The Directors do not recommend the payment of a dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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	
	2022	2021
	(Unaudited)	(Unaudited)
Profit for the period attributable to the owners of the Company (RMB'000)	9,755	11,090
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 2022 and 2021.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired items of property, plant and equipment at total cost of RMB385,000 (six months ended 30 June 2021: RMB874,000), through acquisition of subsidiaries with net carrying amount of RMB1,118,000 (Note 22) (six months ended 30 June 2021: RMB3,353,000). During the six months ended 30 June 2022, the Group disposed items of property, plant and equipment through disposal of a subsidiary with net carrying amount of RMB2,380,000 (Note 23). Items of property, plant and equipment with net carrying amount of RMB376,000 (six months ended 30 June 2021: RMB1,000) were disposed of during the six months ended 30 June 2022, resulting in a loss on disposal of RMB50,000 (six months ended 30 June 2021: RMB1,000) (Note 7).

12. LEASES

The Group entered into a number of lease agreements for the use of office and shop premises in the PRC with lease terms ranging from 2 to 5 years (2021: from 2 to 5 years). Certain lease agreements contain options to extend or terminate the lease. Under certain lease agreements with the extension option, the rental amount and lease terms for extension period are subject to negotiation with respective landlords on an individual basis at the time of renewal.

(a) Right-of-use assets

During the six months ended 30 June 2022, right-of-use assets with net book value of RMB1,948,000 (six months ended 30 June 2021: RMB944,000) were disposed of, resulting in a gain on disposal of RMB51,000 (six months ended 30 June 2021: RMB98,000) (Note 6). In addition, right-of-use assets amounting to RMB: Nil (six months ended 30 June 2021: RMB1,597,000) have been recognised for the current period.

(b) Lease liabilities

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Current liabilities	489	1,291
Non-current liabilities	1,071	2,697
	1,560	3,988

13. TRADE RECEIVABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade receivables	130,201	103,628
Less: Impairment losses	(15,780)	(9,499)
	114,421	94,129

Trade receivables mainly represent receivables of property management services income and real estate agency service income and no credit terms are granted generally. For property management services income, the customers are required to settle the invoices which are due on presentation. For real estate agency services income, the customers are required to settle the amounts due upon completion of services provided or pursuant to the terms and conditions of the relevant agreements. The aging analysis of trade receivables (net of impairment losses) based on invoice date (which is also the due date) as at 30 June 2022 is as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within 1 year	92,638	85,987
1 to 2 years	18,286	5,724
2 to 3 years	3,497	2,418
	114,421	94,129

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

No interest is charged on trade receivables.

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

The Group applies the simplified approach to provide for 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. For the six months ended 30 June 2022, additional provision of RMB6,281,000 (six months ended 30 June 2021: RMB2,446,000) was made against the gross amounts of trade receivables.

14. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES, RELATED COMPANIES AND NCI

The amounts due from/to fellow subsidiaries, related companies and NCI as at 31 December 2021 and as at 30 June 2022 are trade in nature, unsecured and interest-free and are obliged to settle the amounts due upon completion of services provided or pursuant to the terms and conditions of the relevant agreements. The related companies are investee companies of the Fineland Group and there are common directors between Fineland Group Holdings and the investee companies.

The impairment policies on amounts due from fellow subsidiaries, related companies and NCI during the year ended 31 December 2021 and six months ended 30 June 2022 are the same as those on trade receivables as set out in Note 13.

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Amounts due from fellow subsidiaries		
Within 1 year	103,913	104,142
1 to 2 years	37,898	–
	141,811	104,142
Amounts due from related companies		
Within 1 year	63,275	50,633
1 to 2 years	8,000	–
	71,275	50,633
Amount due from NCI		
Within 1 year	11,217	11

14. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES, RELATED COMPANIES AND NCI *(Continued)*

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Amounts due to fellow subsidiaries		
Within 1 year	7,899	5,296

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Amounts due to related companies		
Within 1 year	19	329

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Amounts due to NCI		
Within 1 year	2,122	–

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Unlisted investments, at fair value	510	500

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

16. BANK BALANCES AND CASH

As at 31 December 2021 and as at 30 June 2022, bank balances carry interest at prevailing deposit rates.

As at 30 June 2022, included in the Group's bank balances is an amount of approximately RMB73,375,000 (as at 31 December 2021: RMB88,845,000), which are deposits with banks in the PRC and denominated in RMB, and RMB is not a freely convertible currency.

17. TRADE PAYABLES

The aging analysis of trade payables based on invoice date as at 30 June 2022 is as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within 1 year	74,133	56,033
1 to 2 years	200	–
	74,333	56,033

18. BANK BORROWING

Loan amounted to RMB40,000,000 is secured by certain property of a fellow subsidiary of the Company, and guaranteed by Mr. Fong and fellow subsidiaries of the Company, and carried fixed interest rate of 5% per annum. Loan repayable within six months.

19. SHARE CAPITAL

The share capital as at 30 June 2022 represented the issued share capital of the Company as detailed below:

	Number	Amount <i>HK\$'000</i>	
Ordinary shares at par value of HK\$0.01 each			
Authorised			
As at 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	10,000,000,000	100,000	
	Number	Amount <i>HK\$'000</i>	Amount <i>RMB'000</i>
Issued and fully paid			
As at 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	400,000,000	4,000	3,403

20. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitment

As at 30 June 2022, the Group did not have any significant capital commitment.

(b) Contingent liability

As at 30 June 2022, the Group did not have any significant contingent liability.

21. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Real estate agency services income from fellow subsidiaries	22,206	44,990
Real estate agency services income from investee companies of fellow subsidiaries	20,068	29,102
Real estate agency services income from associates of fellow subsidiaries	3,259	14,433
Property management services income from fellow subsidiaries	3,178	4,329
Property management services income from related companies	277	79
Property management services income from associates of fellow subsidiaries	478	189
Property management services income from an investee company of a fellow subsidiary	–	2
Value-added services to non-property owners income from fellow subsidiaries	9,822	9,235
Value-added services to non-property owners income from associates of fellow subsidiaries	6,755	5,075
Value-added services to non-property owners income from investee companies of fellow subsidiaries	4,131	3,047
Other value-added services income from fellow subsidiaries	295	91
Other value-added services income from related companies	6	11
Other value-added services income from an associate of a fellow subsidiary	1	–
Sales of goods from fellow subsidiaries	442	–
Sale of goods income from associates of fellow subsidiaries	128	–
Sale of goods income from investee companies of fellow subsidiaries	81	–
Software service income from fellow subsidiaries	1,961	–
Software service income from related companies	19	–
Software service income from associates of fellow subsidiaries	261	–
Software service income from an investee company of a fellow subsidiary	61	–
Short-term leases expenses to fellow subsidiaries	1,925	2,428
Short-term leases expenses to an associate of fellow subsidiary	–	14
Lease payments to a related party (Note)	219	219
Consultancy fee to a fellow subsidiary	–	1,359

The above transactions were conducted on mutually agreed terms.

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

22. ACQUISITION OF SUBSIDIARIES

- (i) On 25 October 2021, the Group entered into a share purchase agreement with Shanghai Lvbaoyuan Business Management Partnership (Limited Partnership), a limited partnership established under the laws of PRC, ultimately owned by independent third parties to acquire 60% equity interests in Guangdong Yikang Property Service Co., Ltd. ("**Yikang**") (the "**Yikang Acquisition**") at a cash consideration of RMB17,199,000 and contingent consideration up to RMB5,793,000 in aggregate. The contingent consideration will be paid by instalments. The Group has the right to adjust the consideration if the conditions precedent, mainly net profit targets for the years ended 31 December 2021, 2022 and 2023, are not fulfilled. As set out in the share purchase agreement, the performance targets of net profit in Yikang are at least RMB5,594,400 and RMB6,153,800 for the years ended 31 December 2022 and 2023 respectively.

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

The fair value of the contingent consideration payable as at 9 February 2022 was determined based on a valuation performed by an independent valuer applying probability weighted scenario analysis at a discount rate of 3%. According to the valuation results, the balance of the consideration of RMB5,793,000 is expected to be paid in 2024.

- (ii) On 28 October 2021, the Group entered into a share purchase agreement with independent third parties in relation to the acquisition of 51% equity interests in Juncheng Fangyuan Property Service Co., Ltd. (formerly known as Guangdong Juncheng Property Service Co., Ltd.) ("**Juncheng**") (the "**Juncheng Acquisition**") at a consideration of RMB5,100,000 in cash. Juncheng is principally engaged in the provision of property management services. The Group obtained control over Juncheng on the date of completion of the Juncheng Acquisition which took place on 31 January 2022.

22. ACQUISITION OF SUBSIDIARIES (Continued)

The fair values of identifiable assets and liabilities of the acquired subsidiaries as at the date of acquisition and the goodwill arising therefrom were as follows:

	Yikang <i>RMB'000</i> (Unaudited)	Juncheng <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Property, plant and equipment	814	304	1,118
Construction in progress	14	–	14
Deferred tax assets	–	11	11
Other intangible asset	6,000	–	6,000
Trade receivables	1,134	2,978	4,112
Amount due from a fellow subsidiary	9,000	–	9,000
Prepayments, deposits and other receivables	3,227	8,620	11,847
Cash at banks and in hand	3,072	992	4,064
Trade payables	(25)	(223)	(248)
Amounts due to fellow subsidiaries	–	(1,076)	(1,076)
Amounts due to NCI	(1,647)	–	(1,647)
Accruals and other payables	(5,238)	(1,052)	(6,290)
Contract liabilities	(5,941)	(1,889)	(7,830)
Deferred tax liabilities	(1,500)	–	(1,500)
Total identifiable net assets at fair value	8,910	8,665	17,575
Less: NCI	(3,564)	(4,267)	(7,831)
Net assets acquired	5,346	4,398	9,744
Goodwill	17,646	702	18,348
Total consideration	22,992	5,100	28,092
Consideration satisfied by:			
Cash paid	17,199	5,100	22,299
Contingent consideration	5,793	–	5,793
	22,992	5,100	28,092
Net cash inflow/(outflow) arising from the acquisition			
Cash consideration paid	(8,600)	(4,100)	(12,700)
Cash at banks and in hand acquired	3,072	992	4,064
Net cash outflow	(5,528)	(3,108)	(8,636)

22. ACQUISITION OF SUBSIDIARIES *(Continued)*

The trade receivables, other receivables, amounts due from fellow subsidiaries acquired with a fair value of RMB24,434,000 as at the date of acquisitions had gross contractual amounts of RMB24,487,000. The best estimate at acquisition date of contractual cash flows not expected to be collected amounted to RMB53,000.

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

The non-controlling interests arising from the acquisition of respective subsidiaries were measured by reference to the proportionate share or the agreed proportion stated on the share purchase agreement of the acquirees' net assets at the acquisition dates.

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

Since the acquisition dates, Yikang and Juncheng in aggregate have contributed RMB18,328,000 and RMB2,280,000 to the Group's revenue and profit for the period. If the acquisition had occurred on 1 January 2022, the Group's revenue and profit would have been RMB281,302,000 and RMB17,598,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future performance.

23. DISPOSAL OF A SUBSIDIARY

On 13 April 2022, the Group entered into a sale and purchase agreement with a purchaser pursuant to which the Group agreed to sell the entire share capital held of a subsidiary, Guangzhou Fangheng Technology Co., Ltd.* ("**Fangheng Technology**"), at a consideration of RMB2,400,000, which remained outstanding and included in amount due from fellow subsidiaries as at 30 June 2022. The disposal of Fangheng Technology was completed in April 2022. The net liabilities of Fangheng Technology at the date of disposal were as follows:

	Fangheng RMB'000 (Unaudited)
Property, plant and equipment	2,380
Other intangible asset	486
Trade receivables	97
Amounts due from fellow subsidiaries	5,256
Amounts due from related companies	467
Prepayments, deposits and other receivables	2,930
Cash at banks and in hand	4
Trade payables	(402)
Amounts due to fellow subsidiaries	(8,995)
Accruals and other payables	(2,309)
Contract liabilities	(173)
Deferred tax liabilities	(73)
Total net liabilities	(332)
Goodwill	(4,058)
Total consideration	2,400
Add: Net liabilities disposed of	332
Loss on disposal	(1,326)
Net cash outflow arising on the disposal:	
Cash consideration	–
Cash at banks and in hand disposal of	(4)
Net cash outflow	(4)

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

In the first half of 2022, affected by sporadic outbreaks of the epidemic, the national real estate market has experienced unprecedented challenges. The scale of commercial houses sales has dropped tremendously, and the accumulated investment in real estate development evidenced negative growth for the first time on a year-on-year basis. China's economy is still experiencing complex external environment influences and the downward pressure is increasing. Stabilizing the real estate industry is crucial to stabilize the economy. Since the beginning of 2022, positive signals have been released by the central and local government, with a record high of nearly 500 regulatory policy measures released nationally in the first half of 2022, which led the industry policy environment to enter into a relaxing cycle. With the gradual weakening impact of the epidemic and policy effect taking shape, the sales area of major cities has been increasing month by month since May 2022, which indicated that the market has rebounded from the bottom.

An independent research institute believed that, according to the law of policy transmission, market recovery can be divided into three stages, leading recovery, driving recovery and overall recovery. At present, the market has reached the stage of leading recovery, and transitioned to the stage of driving recovery, that is, the strong second-tier and first-tier cities led the recovery, and the recovery expectations of ordinary second-tier and lower-tier cities are still low. Based on this deduction, house prices in ordinary second-tier cities will stabilize later this year, and other lower-tier cities will stabilize by year end.

The property management services industry has shown steady growth in the past few years and is expected to continue to flourish in the coming years driven by the support from the PRC government and continued increase in both demand of property management services and supply of commercial housing. Market drivers such as increasing urbanization rate, continuous policy support from governments, growing economy, upgrade of consumption and services, integration of information technology services and others will drive the development of the property management services market.

The Group will strive to strengthen the footholds in existing markets, covering mainly Guangdong, Jiangsu, Hunan, Guangxi and Hainan, to increase market share thereof, and the Group will further utilize the synergies among segments by sharing customer base, market resources and operational and management experience, etc. to broaden the breadth and depth of the Group's services, and strive to cut operating expenses by means of strengthening budget management and cost control. With sophisticated industry experience in the real estate agency services and property management services businesses, the Group will strive to improve profitability, ensure a solid financial position and create favorable outcomes with all clients, customers, employees, shareholders and other stakeholders.

The Group's total revenue amounted to approximately RMB277.8 million for the six months ended 30 June 2022 (the "Period"), representing an increase of approximately 5.1%, from RMB264.4 million for the corresponding period of 2021, which was mainly due to the increase in professional property management services income, which is partially offset by the decline in comprehensive real estate agency services income.

MANAGEMENT DISCUSSION AND ANALYSIS

Comprehensive real estate agency services segment

Real estate agency services consist of (i) online and offline real estate agency services; (ii) property research and consultancy services; and (iii) integrated services. Revenue recorded from comprehensive real estate agency services was approximately RMB77.3 million for the six months ended 30 June 2022, representing a decrease of 43.0% from RMB135.6 million for the corresponding period in 2021. The primary reason for the decrease is the prevailing market conditions. Continuing with the downward adjustment of the real estate industry in the second half of 2021, average sales areas in the first six month of 2022 of the major 100 cities in the PRC declined over 40% compared with the same period in 2021.

Professional property management services segment

Property management services segment consists of (i) property management services, (ii) value-added services to non-property owners, (iii) community value-added services, and (iv) software services. Revenue recorded from professional property management services segment was approximately RMB200.5 million for the six month ended 30 June 2022, representing an increase of 55.7%, compared with RMB128.7 million for the six months ended 30 June 2021.

In the first quarter of 2022, the Group completed two acquisitions which expanded our services into Dongguan, Meizhou and Yunfu, and increased our market share in the the Guangdong province. First, the Company completed the acquisition of 51% equity interests in Guangdong Juncheng Fangyuan Property Service Co., Ltd.* (廣東筠城方圓物業服務有限公司, formerly known as Guangdong Juncheng Property Service Co., Ltd.* 廣東筠城物業服務有限公司) ("**Juncheng**"), from independent third parties. Such transaction was classified as a de minimis transaction under Chapter 14 of the Listing Rules. Please refer to note 22(ii) of the unaudited condensed consolidated financial statements in this interim report for further information.

On 25 October 2021, the Group, as purchaser, entered into a share purchase agreement with Shanghai Lvbaoyuan Business Management Partnership (Limited Partnership)* (上海綠保源企業管理合夥企業(有限合夥)) as vendor (the "**Vendor**") who is ultimately owned by independent third parties in relation to the acquisition of 60% of the equity interests in Guangdong Yikang Property Service Co., Ltd.* (廣東益康物業服務有限公司) ("**Yikang**") by cash payable by instalments (the "**Yikang Consideration**") (the "**Yikang Acquisition**"). The consideration is subject to adjustments depending on whether the net profit targets of Yikang for each of the years ending 31 December 2021, 2022 and 2023 could be met respectively. Upon completion which took place in February 2022, Yikang became an indirectly non-wholly owned subsidiary of the Company and its financial results were thereafter consolidated into the Group's consolidated financial statements. Please refer to the announcements of the Company dated 25 October 2021 and 9 February 2022, and note 22(i) to the unaudited condensed consolidated financial statements of this interim report for further information.

In mid-August 2022, the Board received the audited financial statements of Yikang, which revealed that the actual profit of Yikang for the year ended 31 December 2021 was approximately RMB3.6 million, falling short of the said profit guarantee for the same period by approximately RMB1.4 million. Accordingly, the relevant instalment of the Yikang Consideration (the "**3rd Instalment**") was adjusted in accordance with the pre-determined formula as set out in the share purchase agreement of the Yikang Acquisition. The amount which was deducted from the 3rd instalment was approximately RMB10.7 million (the "**Deduction Amount**"). As the Deduction Amount exceeds the 3rd Instalment, pursuant to the share purchase agreement, the Vendor shall procure to pay the Group the difference between the Deduction Amount and the 3rd Instalment, which was approximately RMB5.6 million ("**Amount Due From Vendor**"). The Vendor has agreed to settle the Amount Due From Vendor with the Purchaser on or before 31 August 2023. Please refer to the announcement of the Company dated 30 August 2022 for further details.

MANAGEMENT DISCUSSION AND ANALYSIS

The contracted GFA as of 30 June 2022 is approximately 18.7 million square meters, an increase of 16.1% compared with approximately 16.1 million square meters as of 31 December 2021, and GFA under management is approximately 13.7 million square meters, an increase of 25.7% compared with approximately 10.9 million square meters as of 31 December 2021.

Property management services

Property management services are mainly for property developers and property owners. Services provided include standard property management services and ancillary services such as security, cleaning, gardening, repair and maintenance and butler services. The Group provides services for residential and non-residential properties, including public facilities, commercial and office buildings, schools, etc. Revenue recorded for property management services was approximately RMB148.4 million for the six months ended 30 June 2022, representing an increase of 73.4% compared with RMB85.5 million for the six months ended 30 June 2021.

Value-added services to non-property owners

Value-added services to non-property owners are mainly for property developers, services including cleaning, security and maintenance services for pre-sale display units and sales offices, etc. Revenue recorded for Value-added services to non-property owners was approximately RMB24.1 million for the six months ended 30 June 2022, representing an increase of 23.3%, compared with RMB19.6 million for the six months ended 30 June 2021.

Community value-added services

Community value-added services include common area value-added services, community retail, community media, furnishing services, and other community convenience services to property owners. Revenue recorded for community value-added services was approximately RMB25.6 million for the six months ended 30 June 2022, representing an increase of approximately 8.3%, compared with RMB23.6 million for the six months ended 30 June 2021.

Software services

Software services include the provision of development, supply and maintenance of information technology applications. Revenue recorded for software services was approximately RMB2.4 million for the six months ended 30 June 2022, compared with RMB Nil (software services is a new business line after July 2021) for the six months ended 30 June 2021. Fangheng Technology was disposed to a connected person in April 2022, after which there was no revenue generated from software services. The disposal was classified as a de minimis transaction under Chapters 14 and 14A of the Listing Rules. Please refer to note 23 to the unaudited condensed consolidated financial statements of this interim report for further details.

FINANCIAL REVIEW

Revenue

Revenue for the six months ended 30 June 2022 was approximately RMB277.8 million, representing an increase of approximately 5.1% as compared to RMB264.4 million for the six months ended 30 June 2021. The increase was primarily attributable to the increase in revenue generated from professional property management services segment of approximately RMB71.8 million, which was partially offset by the decrease in revenue generated from comprehensive real estate agency services segment of approximately RMB58.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of services

Cost of services for the six months ended 30 June 2022, amounted to approximately RMB215.7 million (for the six months ended 30 June 2021: approximately RMB210.5 million), representing an increase of approximately 2.5% as compared to the corresponding period of 2021. The increase was mainly due to the increase of numbers of employees due to the acquisitions of YiKang and Juncheng, and other business expansion of the property management services segment.

Selling and marketing expenses

For the six months ended 30 June 2022, the selling and marketing expenses of the Group were approximately RMB0.6 million, representing a decrease of approximately 83.3% as compared to approximately RMB3.6 million for the six months ended 30 June 2021, which was mainly due to the effective cost control measures taken.

Administrative expenses

For the six months ended 30 June 2022, the administrative expenses of the Group were approximately RMB39.2 million, representing an increase of approximately 25.1% as compared to approximately RMB31.3 million for the six months ended 30 June 2021. Such increase was primarily due to the increase in administrative expenses that brought along with the businesses from the acquisitions of Yikang, Juncheng and other expansions.

Net Profit Margin

The net profit margin increased to 6.3% for the six months ended 30 June 2022 as compared to 5.7% for the six months ended 30 June 2021. This increase was mainly due to increase in revenue and minimal increase in cost due to effective cost control measures.

Profit for the Period

As a result of the factors discussed above, the Group made a profit before income tax for the six months ended 30 June 2022 of approximately RMB17.8 million, compared to approximately RMB17.8 million for the six months ended 30 June 2021.

Liquidity and Financial Resources

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

As at 30 June 2022, the Group had net current assets of approximately RMB155.8 million (as at 31 December 2021: approximately RMB143.0 million) and total assets of approximately RMB546.7 million (as at 31 December 2021: approximately RMB454.2 million).

As at 30 June 2022, the bank balances and cash of the Group amounted to approximately RMB74.3 million (as at 31 December 2021: approximately RMB90.3 million).

Indebtedness

As at 30 June 2022, the Group had short-term borrowings of RMB40.0 million (as at 31 December 2021: Nil), which is principally to finance daily operation and general working capital, but had no long term borrowings (as at 31 December 2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Exchange Risk

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

Gearing Ratio

The gearing ratio (calculated as total liabilities divided by total assets) was 59% as at 30 June 2022, as compared to 55% as at 31 December 2021.

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.

As at 30 June 2022, numbers of the employees was approximately 2,121 (as at 30 June 2021: approximately 1,674), and the increase was mainly due to the acquisition of Yikang, Juncheng and other business expansion.

Principal risks and uncertainties

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

The Group is engaged in real estate agency services and property management services mainly in 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 COVID-19 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 or other adverse public health developments in China could adversely affect the Group's business and operations.

The increasing concerns on public health and safety and the impact of COVID-19 on the economy in general may lower potential property buyer's interests in property visits or investment in real estate, which in turn may have an adverse effect on the Group's business, financial condition and results of operations. The outbreak may also affect and restrict the level of economic activity in general as the government may impose regulatory or administrative measures such as quarantining affected areas or other measures to control or contain the outbreak of the infectious disease, which in turn may have a material and adverse effect on the Group's business, financial position and results of operations.

There remains uncertainty with regards to the continued development of the COVID-19 pandemic and its implications. The outbreaks may disrupt our business and may cause temporary shortage of labor. Any further restrictive measures which include closures of workplace and public places and lockdowns locally and nationally, could have an adverse effect on the overall business environment, increase our operating costs and adversely affect our business, financial condition 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 no less exacting than 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 2022.

DISCLOSURE OF INTERESTS

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

As at 30 June 2022, the interests or short positions of the Directors and chief executives in the shares of the Company (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 ⁽⁵⁾
Mr. FONG Ming ("Mr. Fong")	Interest in controlled corporation and a legal and beneficial owner ⁽¹⁾	222,000,000	55.5%
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⁾	25,500,000	6.375%
Mr. YI Ruofeng ("Mr. Yi")	Interest in controlled corporation ⁽³⁾	6,120,000	1.53%
Mr. HAN Shuguang ("Mr. Han")	Interest in controlled corporation ⁽⁴⁾	4,500,000	1.125%

Notes:

(1) 216,000,000 Shares or 54% are registered in the name of Mansion Green Holdings Limited ("Mansion Green"), which is held as to 70% by Mr. Fong's holding companies (including Stand Smooth Group Limited ("Stand Smooth"), Hero Dragon Management Limited ("Hero Dragon"), Fineland Group Holdings Company Limited ("Fineland Group Holdings", formerly known as Fineland Real Estate Holdings Company Limited) and Widethrive Investments Limited ("Widethrive Investments"), and as to 30% by Aspiring Vision Holdings Limited ("Aspiring Vision"), which is wholly-owned by Ms. Tse. Accordingly, Widethrive Investments, Fineland Group Holdings, Hero Dragon, Stand Smooth, Aspiring Vision, Mr. Fong and Ms. Tse are therefore deemed to be interested in the same number of Shares as to which Mansion Green is interested under the SFO.

Mr. Fong additionally holds 6,000,000 Shares (or 1.5%), representing a total of 55.5% interest in the entire issued share capital of the Company.

(2) Shares are held by Metropolitan Dawn Holdings Limited ("Metropolitan Dawn"), which is wholly-owned by Ms. Rong.

(3) Shares are held by Totoro Holding Limited ("Totoro"), which is wholly-owned by Mr. Yi. Totoro sold 1,180,000 Shares in March, April and June 2022, after which Mr. Yi is interested in a total of 6,120,000 Shares, representing 1.53% of the entire issued share capital of the Company.

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

(5) All interests are calculated based on the total Shares in issue as at 30 June 2022, being 400,000,000 Shares.

(ii) Associated corporation

Apart from the foregoing, as at 30 June 2022, none of the Directors nor the chief executives of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSURE OF INTERESTS

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

As at 30 June 2022, the following persons (other than Directors or chief executive of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules:

Long positions in Shares

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

Notes:

- (1) Ms. HE Kangkang (何康康) is the spouse of Mr. Fong. Under the SFO, Ms. HE Kangkang (何康康) is deemed to be interested in the same number of Shares in which Mr. Fong is interested 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 Group Holdings, which in turn is wholly owned by Widethrive Investments, and ultimately wholly-owned by Mr. Fong. Accordingly, Widethrive Investments, Fineland Group Holdings, Hero Dragon, Stand Smooth, Aspiring Vision, Mr. Fong and Ms. Tse are therefore deemed to be interested in the same number of Shares as to which Mansion Green is interested under the SFO.
- (5) Metropolitan Dawn is the registered owner of 25,500,000 Shares, representing 6.375% of the issued share capital of the Company. Metropolitan Dawn is wholly-owned by Ms. Rong. Ms. Rong is therefore deemed to be interested in the same number of Shares as to which Metropolitan Dawn is interested under the SFO.
- (6) All interests are calculated based on the total Shares in issue as at 30 June 2022, being 400,000,000 Shares.

OTHER INFORMATION

Save as disclosed above, as at 30 June 2022, the Directors were not aware of any other persons who had any interest or short positions in the Shares or underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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 2022 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the Shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

CHANGE IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B (1) of the Listing Rules, the change in Directors' information required to be disclosed by Directors is as follows:

Mr. Leung Wai Hung was appointed as the company secretary and authorised representative of BeijingWest Industries International Limited (stock code: 2339), on 11 April 2022. Mr. Leung was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee of Sino-Ocean Service Holding Limited (stock code:6677), on 4 August 2022.

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 2022.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 23 October 2017. As at 30 June 2022, 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 2022, the Company had complied with all the code provisions set out in the Corporate Governance Code, Appendix 14 of the Listing Rules.

OTHER INFORMATION

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 2022.

COMPETITION AND CONFLICT OF INTERESTS

During the six months ended 30 June 2022, 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.

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 is the chairman of the Audit Committee.

The unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2022 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited condensed consolidated financial results comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

PLEDGE OF ASSETS

As of 30 June 2022, the Group did not have any material pledge of assets.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed herein, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2022.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the six months ended 30 June 2022 and up to the date of this report, no important events affecting the Company has taken place that is required to be disclosed.

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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

HAN Shuguang

Chairman

Hong Kong, 30 August 2022