THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other appropriate independent adviser.

If you have sold or transferred all your shares in Fineland Real Estate Services Group Limited (the "Company"), you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, stockbroker, registered dealer in securities or other agents through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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)

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF APPROXIMATELY 66.31% OF THE EQUITY INTERESTS IN THE TARGET COMPANY;

(2) POSSIBLE CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 2020 MASTER PROPERTY MANAGEMENT SERVICES AGREEMENTS;

(3) POSSIBLE CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE TRADEMARK LICENSING AGREEMENTS;

AND

(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

Sole Financial Adviser

農銀國際
ABC INTERNATIONAL

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

OPTIMA CAPITAL
Optima Capital Limited

A letter from the Board is set out on pages 11 to 45 of this circular. A letter from the Independent Board Committee is set out on pages 46 to 47 of this circular. A letter from the Independent Financial Adviser containing its recommendations to the Independent Board Committee and Independent Shareholders is set out on pages 48 to 97 of this circular.

A notice convening the Extraordinary General Meeting (the "EGM") to be held on 28 December 2020 at 3:00 p.m. at 11th Floor, No. 28 Tiyu East Road, Tianhe District, Guangzhou, the PRC is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use by the shareholders at the EGM is enclosed.

Whether or not you are able to attend the EGM, you are advised to read this circular and to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible but in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

This circular, together with the form of proxy, will also be published on the websites of the Stock Exchange at www.hkexnews.hk and on the Company's website at www.finelandassets.com.

Considering the outbreak of the coronavirus (COVID-19), certain measures will be implemented at the EGM with a view to addressing the risk to attendees of infection, including, without limitation:

(i) all attendees being required to (a) undergo compulsory body temperature check; and (b) wear surgical masks prior to admission to the EGM venue;

(ii) all attendees being required to wear surgical masks throughout the EGM;

(iii) each attendee being assigned a designated seat at the time of registration to ensure social distancing; and

(iv) no refreshment packs or coffee/tea being provided.

The Company reminds attendees that they should carefully consider the risks of attending the EGM, taking into account their own personal circumstances. The Company will keep the evolving COVID-19 situation under review and may implement additional measures which it will announce closer to the date of the EGM (if any).

3 December 2020

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In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

"2020 Master Property Management Services Agreements"	the following proposed master property management services agreements: (i) the agreement to be entered into between the Company and Fineland Group Holdings in relation to the provision of the Property Management Services by the Enlarged Group to Fineland Group ("**2020 FGH Master Property Management Services Agreement**"); and (ii) the agreement to be entered into between the Company and Fineland Education in relation to the provision of the Property Management Services by the Enlarged Group to Fineland Education Group ("**2020 FE Master Property Management Services Agreement**")
"ABCI Capital"	ABCI Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the sole financial adviser to the Company in relation to the Proposed Acquisition
"Announcement"	the announcement of the Company dated 15 October 2020 in relation to the Proposed Acquisition, the 2020 Master Property Management Services Agreements, the Trademark Licensing Agreements, and the transactions contemplated thereunder
"Aspiring Vision"	Aspiring Vision Holdings Limited, a company incorporated with limited liability on 15 February 2017 in the BVI, which is wholly-owned by Ms. Tse, and is one of the controlling shareholders of the Company
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Days"	any date (other than a Saturday or Sunday or public holiday) on which banks in the PRC are open for the transaction of normal business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate

"China Index Academy" or "CIA"	China Index Academy （中國指數研究院）
"close associate(s)"	the meaning ascribed thereto under the Listing Rules
"Company"	Fineland Real Estate Services Group Limited (方圓房地產服務集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 16 February 2017 and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 9978)
"Completion"	the completion of the Proposed Acquisition pursuant to the terms and conditions of the Share Purchase Agreement
"Completion Date"	the date which is 10 Business Days, or such other date as the Purchaser and the Vendors may agree, after the date (not being later than 180 days after the execution of the Share Purchase Agreement) on which the last of the Conditions Precedent to be satisfied or waived is satisfied or waived (as applicable)
"Condition(s) Precedent"	the condition(s) precedent of the Completion, details of which are set out in the paragraph headed "Conditions Precedent" in this circular
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	the consideration to be paid by the Purchaser to the Vendors for the Sale Shares being RMB68,000,000 (equivalent to approximately HK$77,520,000)
"Continuing Connected Transactions"	the continuing connected transactions contemplated under the 2020 Master Property Management Services Agreements and the Trademark Licensing Agreements
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting to be convened by the Company for consideration and, if appropriate, approval of the Share Purchase Agreement, the 2020 Master Property Management Services Agreements, the transactions contemplated thereunder and the Proposed Annual Caps
"Enlarged Group"	the Group as enlarged by the Target Group upon Completion

"Fineland Education"	Guangdong Fineland Education Investment Limited* (廣東方圓教育投資有限公司), a company established under the laws of the PRC with limited liability which is owned as to approximately 90%, 5% and 5% by Fineland Investment, Ms. Liu Shaoying (劉少英女士) (an Independent Third Party) and Ms. Huang Huishan (黃慧珊女士) (an Independent Third Party), respectively, as at the Latest Practicable Date
"Fineland Education Group"	Fineland Education and its subsidiaries
"Fineland Group"	Fineland Group Holdings and its subsidiaries, being the parent group of the Group
"Fineland Group Holdings"	Fineland Group Holdings Company Limited (方圓集團控股有限公司), formerly known as Fineland Real Estate Holdings Company Limited (方圓地產控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 22 June 2016, and is one of the controlling shareholders of the Company
"Fineland Investment"	Guangdong Fineland Investment Limited* (廣東方圓投資有限公司), a company established under the laws of the PRC with limited liability which is owned as to approximately 99% and 1% by Mr. Fong and Mr. Zhang Qing (張清先生) (an Independent Third Party), respectively, as at the Latest Practicable Date
"Greater Bay Area"	the region set out in the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area in the PRC, and consisting of four core cities (Hong Kong, Macao, Guangzhou and Shenzhen) and seven non-core cities (Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen, and Zhaoqing), and for the Company's purposes, excluding Hong Kong and Macao
"GFA"	gross floor area
"Group"	the Company and its subsidiaries
"Guangzhou Fineland Property Consultancy"	Guangzhou Fineland Property Consultancy Limited* (廣州方圓地產顧問有限公司), a company established under the laws of the PRC with limited liability on 17 March 1997, which was known as Guangzhou Fineland Sino Property Consultancy Limited* (廣州方圓中粵物業顧問有限公司) prior to 29 September 1997, and is an indirectly wholly-owned subsidiary of the Company

"GZ Fineland Property Management"	GZ Fineland Commercial Property Management Limited* (廣州市方圓商業物業經營有限公司), a company established under the laws of the PRC with limited liability and is a member of the Fineland Group
"Haofang Xihui"	Shenzhen Haofang Xihui Investment Partnership (Limited Partnership)* (深圳市灝方熹匯投資合夥企業(有限合夥)), a company established under the laws of the PRC with limited liability which is owned as to approximately 25%, 15%, 15%, 15%, 15%, 10% and 5% by Fineland Investment, Mr. Xu, Mr. Han, Ms. Rong, Mr. Lin, Mr. Liu Jingping (柳景平先生) (an Independent Third Party) and Mr. Li Qiyong (李琪勇先生) (an Independent Third Party), respectively, as at the Latest Practicable Date
"Hero Dragon"	Hero Dragon Management Limited, a company incorporated in the BVI on 12 April 2006 with limited liability, which is a wholly-owned subsidiary of Fineland Group Holdings, and is one of the controlling shareholders of the Company
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Implementation Agreements"	with respect to any 2020 Master Property Management Services Agreements, the individual implementation agreements in respect of the Property Management Services contemplated under each of the 2020 Master Property Management Services Agreements which may from time to time be entered into in pursuance thereto
"Independent Board Committee"	an independent committee of the Board comprising all the independent non-executive Directors (namely, Mr. Leung Wai Hung, Mr. Liao Junping, Mr. Tian Qiusheng and Mr. Du Chenhua) established for the purpose of advising the Independent Shareholders in respect of the Share Purchase Agreement, the 2020 Master Property Management Services Agreements, the transactions contemplated thereunder and the Proposed Annual Caps

"Independent Financial Adviser" or "Optima Capital"	Optima Capital Limited, a corporation licensed by the Securities and Futures Commission to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Share Purchase Agreement, the 2020 Master Property Management Services Agreements, the Trademark Licensing Agreements, the transactions contemplated thereunder and the Proposed Annual Caps
"Independent Shareholder(s)"	the Shareholders who are not required to abstain from voting at the EGM to approve the Share Purchase Agreement, the 2020 Master Property Management Services Agreements, the transactions contemplated thereunder and the Proposed Annual Caps
"Independent Third Party(ties)"	individuals or companies who or which are not connected with (within the meaning of the Listing Rules) any directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
"Latest Practicable Date"	27 November 2020, being the latest practicable date prior to the printing of this circular for ascertaining information contained in this circular
"Lejia Yida"	Shenzhen Lejia Yida Investment Partnership (Limited Partnership)* (深圳市樂嘉益達投資合夥企業（有限合夥）), a company established under the laws of the PRC with limited liability which is owned as to approximately 40%, 25%, 20% and 15% by Mr. Zhou Song (周松先生) (an Independent Third Party), Fineland Investment, Mr. Chen Hao (陳浩先生) (an Independent Third Party) and Mr. Chen, respectively, as at the Latest Practicable Date
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mansion Green"	Mansion Green Holdings Limited, a company incorporated in the BVI on 15 February 2017 with limited liability, whose shares are owned as to approximately 70% by Stand Smooth and approximately 30% by Aspiring Vision as at the Latest Practicable Date, and is one of the controlling shareholders of the Company

"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules
"Mr. Chen"	Mr. Chen Xi (陳曦先生), the sole legal and beneficial owner of Beaming Light Holdings Limited, being one of the pre-IPO investors of the Company that holds approximately 1.125% of the total issued share capital of the Company as at the Latest Practicable Date, who is also a director of a PRC subsidiary of Fineland Group Holdings, namely Foshan Nanhai Zhixing Real Estate Investment Co., Ltd.* (佛山市南海志興房地產投資有限公司)
"Mr. Fong"	Mr. Fong Ming (方明先生), one of the controlling shareholders of the Company and the non-executive Director, who is also a director of Fineland Group Holdings, Hero Dragon and Stand Smooth
"Mr. Han"	Mr. Han Shuguang (韓曙光先生), the sole legal and beneficial owner of Adwan Orient Holdings Limited, being one of the pre-IPO investors of the Company that holds approximately 1.125% of the total issued share capital of the Company as at the Latest Practicable Date, who is also a director of Fineland Group Holdings, Hero Dragon and Stand Smooth
"Mr. Lin"	Mr. Lin Tingfang (林庭芳先生), the sole legal and beneficial owner of Kingson Orient Holdings Limited, being one of the pre-IPO investors of the Company that holds approximately 1.125% of the total issued share capital of the Company as at the Latest Practicable Date, who is also a director of Hero Dragon and Stand Smooth
"Mr. Xu"	Mr. Xu Jun (徐珺先生), the sole legal and beneficial owner of Kaffir Holding Limited, being one of the pre-IPO investors of the Company that holds approximately 1.125% of the total issued share capital of the Company as at the Latest Practicable Date, who is also a director of Hero Dragon and Stand Smooth
"Ms. Rong"	Ms. Rong Haiming (容海明女士), one of the executive Directors and the sole legal and beneficial owner of Metropolitan Dawn Holdings Limited, being one of the pre-IPO investors of the Company that holds approximately 6% of the total issued share capital of the Company as at the Latest Practicable Date, who is also a director of Fineland Group Holdings, Hero Dragon and Stand Smooth

"Ms. Tse"	Ms. Tse Lai Wa (謝麗華女士), one of the controlling shareholders of the Company and an executive Director, and is a party acting in concert with Mr. Fong under the deed of concert parties executed on 31 March 2017
"Online Referral Platform"	the *Fangyuanbao* business and platform acquired by the Group in May 2016 and operated by the Group since then, which serves as a referral business and online platform for property developers to reach out to a greater number of real estate agents without the individual agents directly entering into business relationships with the property developer
"Other Existing Shareholders"	the existing shareholders of the Target Company (other than the Vendors (prior to Completion) and the Purchaser (after Completion)) who in aggregate hold approximately 33.69% of the equity interests in the Target Company as at the Latest Practicable Date and upon Completion
"percentage ratios"	having the meaning ascribed to it in the Listing Rules
"PRC"	the People's Republic of China (中華人民共和國), except where the context requires otherwise, and for the purpose of this circular only, geographical references to the PRC or China exclude Hong Kong, Macau Special Administrative Region and Taiwan
"Property Management Services"	property management services, which primarily include (i) in relation to the 2020 FGH Master Property Management Services Agreement, sales office property management services such as customer services, cleaning, security and repair and maintenance services to various venues of members and associates of Fineland Group including the sales offices, pre-sale display units, exhibition halls and clubs; (ii) in relation to the 2020 FGH Master Property Management Services Agreement, property management services to the members and associates of the Fineland Group before and after completion and delivery of the property projects such as security, cleaning, gardening, repair and maintenance, traffic order maintenance, parking managements, and maintenance and management of the common areas and equipment of the buildings and their surrounding areas; and (iii) in relation to 2020 FE Master Property Management Services Agreement, property management services to the members and associates of the Fineland Education Group such as cleaning, security and repair and maintenance services

"Proposed Acquisition"	the proposed acquisition in relation to the Sale Shares pursuant to the terms and conditions of the Share Purchase Agreement
"Proposed Annual Caps"	the proposed annual cap amounts in respect of fees payable by the Fineland Group and the Fineland Education Group to the Enlarged Group for the provision of the Property Management Services under the 2020 Master Property Management Services Agreements for the period commencing from the Completion Date and ending on 31 December 2023 as stated in the section headed "Proposed Annual Caps" in this circular
"Purchaser"	Guangzhou Fangrun Property Agency Limited* (廣州方潤房地產代理有限公司), a company established under the laws of the PRC with limited liability on 6 May 2020, and which is an indirectly wholly-owned subsidiary of the Company, and is an investment holding company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	approximately 66.31% of the equity interests in the Target Company to be sold by the Vendors (as to approximately 65.31% by Vendor A and approximately 1% by Vendor B)
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) with nominal value of HK$0.01 each in the share capital of the Company
"Share Purchase Agreement"	the conditional share purchase agreement dated 15 October 2020 entered into between the Vendors and the Purchaser in relation to the Proposed Acquisition
"Shareholder(s)"	registered holder(s) of the Share(s)
"sq. m."	square meters
"Stand Smooth"	Stand Smooth Group Limited (立順集團有限公司), a company incorporated in the BVI on 22 June 2006, which is indirectly wholly-owned by Mr. Fong, and is one of the controlling shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	having the meaning ascribed to it in the Listing Rules

"Target Company"	Guangzhou Fineland E-Life Service Co., Ltd. (廣州方圓現代生活服務股份有限公司), a company established under the laws of the PRC with limited liability and, as at the Latest Practicable Date, held as to approximately 65.31% by Vendor A, approximately 1% by Vendor B and approximately 33.69% by Other Existing Shareholders
"Target Group"	Target Company and its subsidiaries
"Trademark Licensing Agreements"	the 14 trademark licensing agreements entered into between certain members of the Target Group and Fineland Group Holdings on 1 January 2020 in relation to the grant of licensing to certain members of the Target Group to use certain trademarks owned by Fineland Group Holdings
"Transaction Documents"	the revised and restated articles of association of the Target Company in the form and substance satisfactory to the Purchaser, and any documents, contracts or arrangements in connection with the Proposed Acquisition which are signed by, or related to, the parties to the Share Purchase Agreement or the Target Company, including the 2020 Master Property Management Services Agreements and the Trademark Licensing Agreements
"Valuer"	Cushman & Wakefield Limited, an independent professional qualified valuer engaged by the Company
"Vendor A"	Guangzhou Leguan Investment Co., Ltd.* (廣州市樂冠投資有限公司), a company established under the laws of the PRC with limited liability which is a directly wholly-owned subsidiary of Fineland Investment and indirectly held as to approximately 99% by Mr. Fong as at the Latest Practicable Date
"Vendor B"	Dongling Grain (HK) Co., Limited (東凌糧油(香港)有限公司), a company incorporated in Hong Kong with limited liability, and an Independent Third Party
"Vendors"	Vendor A and Vendor B

"Widethrive Investments"	Widethrive Investments Limited, a company incorporated in the BVI on 29 March 2006 with limited liability, which is wholly-owned by Mr. Fong, and is one of the controlling shareholders of the Company
"%"	per cent

If there is any inconsistency between the Chinese names of the PRC entities, enterprises or nationals and their English translations, the Chinese names shall prevail. The English translation of the PRC entities, enterprises or nationals which are marked with "" are for identification purposes only.*

For the purposes of this circular, unless the context otherwise requires or expressly specified, an exchange rate of RMB1.00 to HK$1.14 has been used for currency translation, where applicable. Such exchange rate is for illustration purposes only and does not constitute any representation that any amount in RMB or HK$ has been, could have been or may be converted at such rate.

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)

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

Registered office in the Cayman Islands
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Cayman Islands

Principal place of business in Hong Kong under Part 16 of the Companies Ordinance (Cap 622)
Unit B, 17/F United Centre
95 Queensway
Admiralty
Hong Kong

3 December 2020

To the Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF APPROXIMATELY 66.31% OF THE EQUITY INTERESTS IN THE TARGET COMPANY;

(2) POSSIBLE CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 2020 MASTER PROPERTY MANAGEMENT SERVICES AGREEMENTS;

(3) POSSIBLE CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE TRADEMARK LICENSING AGREEMENTS;

AND

(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Proposed Acquisition, the 2020 Master Property Management Services Agreements, the Trademark Licensing Agreements, and the transactions contemplated thereunder.

The Company announced that on 15 October 2020, the Purchaser, an indirectly wholly-owned subsidiary of the Company, entered into a Share Purchase Agreement with the Vendors, pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares, which represent approximately 66.31% of the equity interests in the Target Company, at a cash consideration of RMB68,000,000 (equivalent to approximately HK$77,520,000). ABCI capital has been appointed by the Company as the sole financial adviser in relation to the Proposed Acquisition.

The Target Group is principally engaged in the provision of professional property management services and value-added services for residential and commercial properties.

Completion is subject to the fulfilment of the Conditions Precedent. Upon Completion, the Target Company will become an indirectly non-wholly owned subsidiary of the Company.

The Company further announced that members of the Target Group had, in their ordinary course of business, regularly provided the Property Management Services to members and associates of the Fineland Group and the Fineland Education Group. It is expected that such provision of the Property Management Services will continue after the completion of the Proposed Acquisition. In order to streamline these possible continuing connected transactions in relation to the provision of the Property Management Services and to facilitate compliance with relevant requirements under the Listing Rules, the Company proposes to enter into the 2020 Master Property Management Services Agreements upon completion of the Proposed Acquisition.

The Company also announced that certain members of the Target Group and Fineland Group Holdings had entered into the Trademark Licensing Agreements on 1 January 2020, in which these members of the Target Group are licensed to use certain trademarks owned by Fineland Group Holdings on a non-exclusive and royalty-free basis for the period from 1 January 2020 until the expiry of the trademarks. It is expected that the above arrangements will continue after the completion of the Proposed Acquisition.

The purpose of this circular is to provide you with, inter alia, (i) details of the Share Purchase Agreement, the 2020 Master Property Management Services Agreements, the Trademark Licensing Agreements, the transactions contemplated thereunder and the Proposed Annual Caps; (ii) the letter of recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Share Purchase Agreement, the 2020 Master Property Management Services Agreements, the transactions contemplated thereunder and the Proposal Annual Caps as well as voting at the EGM; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Share Purchase Agreement, the 2020 Master Property Management Services Agreements, the Trademark Licensing Agreements (including the reasons why the Trademark Licensing Agreements require a duration longer than three years and that it is consistent with the practice adopted for similar type of transactions, pursuant to Rule 14A.52 of the Listing Rules), the transactions contemplated thereunder and the Proposal Annual Caps; and (iv) the notice of the EGM.

THE PROPOSED ACQUISITION

The major terms of the Share Purchase Agreement are set out below:

Date

15 October 2020

Parties

(i) the Purchaser

(ii) Vendor A

(iii) Vendor B

The backgrounds of the parties are set out in the section headed "Information on the Parties" below.

Assets to be acquired

Pursuant to the Share Purchase Agreement, the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares which represent approximately 66.31% of the equity interests in the Target Company.

Further information on the Target Group is set out in the section headed "Information on the Target Group" below.

Consideration

Pursuant to the Share Purchase Agreement, the Consideration of RMB68,000,000 (equivalent to approximately HK$77,520,000) will be payable to the Vendors, in proportion to each of their respective equity interests in the Target Company as at the date of the Share Purchase Agreement, and settled by the Purchaser in cash in the following manner:

(i) RMB13,600,000 (equivalent to approximately HK$15,504,000), being 20% of the Consideration at the later of (a) the Completion Date; or (b) the date on which the Vendors are allowed under applicable laws (including the completion of any requisite foreign exchange registration) to receive the Consideration;

(ii) RMB20,400,000 (equivalent to approximately HK$23,256,000), being 30% of the Consideration within 180 days from the Completion Date; and

(iii) RMB34,000,000 (equivalent to approximately HK$38,760,000), being 50% of the Consideration at the later of (a) 28 February 2022; or (b) within 360 days from the Completion Date.

The Consideration was determined after arm's length negotiation between the Purchaser and the Vendors after taking into account, among others:

(i) the preliminary valuation of 66.3111% of the equity interests in the Target Company being approximately RMB69,000,000 (equivalent to approximately HK$78,660,000) as at 31 July 2020 as prepared by the Valuer using market approach. Further information on the valuation is set out in the section headed "Valuation" below;

(ii) the unaudited consolidated financial information of the Target Group for the three financial years ended 31 December 2017, 2018 and 2019 and for the eight months ended 31 August 2020; and

(iii) the strategic implication of the Proposed Acquisition to the Company as mentioned in the section headed "Reasons for and the benefits of the Proposed Acquisition" below.

The Consideration will be financed primarily by the internal resources of the Group but it is open to other means of financing including but not limited to debt or equity fund raising, or a combination of the aforesaid, to finance current and future acquisitions (if any). As at the Latest Practicable Date, the Group had no current intention for any fundraising activities nor under any negotiation or discussion with any party in this regard.

Conditions Precedent

Pursuant to the Share Purchase Agreement, Completion is conditional upon, *inter alia:*

(i) the Purchaser having completed the legal, financial and other due diligence review on the Target Group and it being reasonably satisfied with the results;

(ii) the Transaction Documents having been duly executed;

(iii) the Purchaser having obtained a PRC legal opinion in respect of the Share Purchase Agreement, the 2020 Master Property Management Services Agreements and the Proposed Acquisition, from a PRC legal adviser appointed by the Purchaser, in the form and substance satisfactory to the Purchaser;

(iv) all consents, approvals, authorisations or waivers required by the Target Company, other members of the Target Group and the Vendors for the implementation of the Proposed Acquisition and the Continuing Connected Transactions (including but not limited to consents, approvals, authorisations or waivers from the relevant government authorities, stock exchange, management, board, shareholders (or shareholders' meetings), any lenders pursuant to facility agreements or any third parties pursuant to other contracts (if applicable)), having been obtained and remains valid;

(v) the Target Company having filed and completed the filing with the competent local branch of the State Administration for Market Regulation of the PRC (中國國家市場監督管理總局當地部門) for the revision and restatement of the articles of association of the Target Company to reflect the completion of the Proposed Acquisition;

(vi) all consents, approvals or authorisations required by the Purchaser for the implementation of the Proposed Acquisition and the Continuing Connected Transactions (including but not limited to the approvals of the Board and Independent Shareholders), having been obtained and remains valid;

(vii) to the knowledge of the Purchaser, there being no material adverse change to the conditions (including but not limited to the financial position, business, asset, property, results of operations, prospects, etc.) of the Target Group from the date of the Share Purchase Agreement and up to the Completion, and there being no restrictions, court orders, claims, or pending or threatened claims, or instigations, that limits any parties to the Proposed Acquisition and the Continuing Connected Transactions to consummate them;

(viii) the Vendors' not having violated the obligations and undertakings under the Share Purchase Agreement or the Transaction Documents;

(ix) from the date of the Share Purchase Agreement and up to the Completion, the warranties and representations given by the Vendors in the Share Purchase Agreement remain true, accurate and not misleading and there being no fact, matter or circumstance (when repeated at Completion) which would render the warranties and representations untrue or inaccurate in any respect, and the Vendors having delivered a completion letter to the satisfaction of the Purchaser; and

(x) the delivery of the documents (including share certificates, updated register of members (reflecting the shareholding of the Target Company after the Proposed Acquisition) and evidence showing the completion of items (iv), (v) and (ix) above).

Each party to the Share Purchase Agreement shall use its best endeavours to procure the fulfilment of the Conditions Precedent. The Purchaser may at any time prior to Completion waive any of the Conditions Precedent (except for condition (vi)) in writing. The Directors confirm that as at the Latest Practicable Date, conditions (i), (iii) and (iv) have been fulfilled.

Completion

Subject to the fulfilment (or, as the case may be, waiver (except for condition (vi)) of the Conditions Precedent, Completion shall take place on the Completion Date.

Upon Completion, the equity interests in the Target Company will be held by the Purchaser and Other Existing Shareholders as to approximately 66.31% and 33.69%, respectively. The Target Company will become an indirectly non-wholly owned subsidiary of the Company and the financial results of the Target Group will be consolidated in the Group's financial statements.

Indemnity

Each of the Vendors, severally, agrees to indemnify and compensate the Purchaser from and against any and all direct or foreseeable losses, damages, expenses or liabilities which are caused by any breach of the representations, warranties and undertakings given by such Vendor under the Share Purchase Agreement. In addition, Vendor A has agreed to indemnify and compensate the Purchaser from and against any and all direct or foreseeable losses, damages, expenses or liabilities incurred by the Target Group in respect of contributions for social insurance and housing provident fund of employees, tax, leased properties and registration of leased properties.

Termination

The Purchaser and the Vendors may terminate the Share Purchase Agreement by mutual agreement. The Purchaser may also elect to terminate the Share Purchase Agreement by notice in writing upon the occurrence of the following termination events, *inter alia:*

(i) the Conditions Precedent not being fulfilled (or, as the case may be, waived) within 180 days after the execution of the Share Purchase Agreement;

(ii) there being a breach by any of the Vendors of their obligations, representations or warranties under the Share Purchase Agreement, and such breach has not been rectified within 30 days after being notified by the Purchaser;

(iii) any of the Transaction Documents having been terminated;

(iv) any governmental, regulatory, judiciary authorities or stock exchange:

 (1) taking any actions or investigations to impose, or threaten to impose, any restrictions or limitations on the execution or fulfilment of the Share Purchase Agreement;

 (2) threatening to take any legal actions against the entering into the Proposed Acquisition;

 (3) not granting the required approvals within the timeframe of the Proposed Acquisition or the transactions contemplated thereunder (if applicable);

(4) imposing any law, regulation or decree that restricts, limits or imposes any actions after the signing of the Share Purchase Agreement that, in the reasonable opinion of the Purchaser, materially delays the execution of the Share Purchase Agreement or disrupts the operation of the Target Company; or

(v) there being a material adverse change to the conditions (including but not limited to the financial position, business, asset, property, results of operations, prospects, etc.) of the Target Group.

Upon termination, none of the parties to the Share Purchase Agreement shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms of the Share Purchase Agreement.

VALUATION

The Company has engaged the Valuer, Cushman & Wakefield Limited, to valuate 66.3111% of the equity interests in the Target Company as at 31 July 2020. The Valuer is certified with the relevant professional qualifications required to perform the valuation and the principal valuer involved has more than 27 years of experience in conducting valuation services.

According to the Valuer, the market value in accordance with the International Valuation Standards of 66.3111% equity interests in the Target Company as at 31 July 2020 (the "**Valuation Date**") was appraised at RMB69,000,000 (equivalent to approximately HK$78,660,000).

Valuation methodology

The Valuer adopted the market approach as it was the most direct valuation approach which reflects the value obtained as a result of a consensus of what others in the market place have judged it to be. The Valuer used the market approach by referring to companies which (i) are principally engaged in property management service in the PRC, which are classified under the real estate services sector in Bloomberg Terminal™ and with over 85% of revenue contributing from property management and related value-added services for the latest financial year before the Valuation Date; (ii) are profitable for the trailing 12 months before the Valuation Date, which is essential in determining the price-to-earnings multiple; (iii) are listed on the Stock Exchange, where the companies' financial information are publicly available; and (iv) are relatively small in size, with market capitalisation of below HK$3 billion as at the Valuation Date, which are considered to be more comparable and relevant to the Target Company and at the same time, identifies sufficient quantity of comparable companies to facilitate effective assessment.

An exhaustive list of seven comparable companies (collectively referred to as the "**Comparable Companies**") satisfying the above selection criteria were identified on Bloomberg Terminal^{TM}. Details of the Comparable Companies are as follows:

Stock Code	Company Name	Description
1941 HK	Ye Xing Group Holdings Limited	Ye Xing Group Holdings Limited provides property management services. The company offers comprehensive property management and related services for residential and non-residential properties. The company provides services in the PRC.
9916 HK	Xingye Wulian Service Group Co. Ltd.	Xingye Wulian Service Group Co. Ltd. operates as a property management service provider. The company provides security, cleaning, greening and gardening, parking space management, repair and maintenance for common areas, and customer services. The company also engages in intelligent engineering services including planning, design, and installation of security systems. The company provides services in the PRC.
1538 HK	Zhong Ao Home Group Limited	Zhong Ao Home Group Limited is a property management company in the PRC. The company provides property developers and owners with management services to residential properties. The company also offers sales assistance by deploying on-site staff.
1895 HK	Xinyuan Property Management Service (Cayman) Ltd.	Xinyuan Property Management Service (Cayman) Ltd. provides property management services. The company offers cleaning and sanitation, safety and security, gardening, parking space management and facilities maintenance, utility fee payment, common area resources management, and other services. The company conducts business in the PRC.
6093 HK	Hevol Services Group Co. Limited	Hevol Services Group Co. Limited provides property management services and related value-added services in the PRC.
1922 HK	Yincheng Life Service CO., Ltd.	Yincheng Life Service Co., Ltd. offers property management services. The company manages residential properties, government facilities, financial institutions, property sales offices, parks, and other facilities. The company also provides life community value added services. The company provides services in the PRC.

Stock Code	Company Name	Description
1417 HK	Riverine China Holdings Limited	Riverine China Holdings Limited operates as a property management company. The company offers engineering, repair and maintenance, security, and cleaning and gardening services. The company serves office buildings, cultural venues, stadiums, exhibition halls, government properties, and industrial areas in the PRC.

Price-to-earnings multiple

The Valuer considered that price-to-earnings ("**P/E**") multiple was the most appropriate multiple to appraise the value of the Target Company as P/E is the most commonly used valuation multiple for profit-making business and earnings is one of the most direct drivers of equity value.

The P/E multiple of each of the Comparable Companies was arrived at based on the stock price as at the Valuation Date and the latest available historical earnings per share (excluding listing expenses, if any) for the trailing 12 months before the Valuation Date. The Valuer considered Riverine China Holdings Limited to be an outlier since its P/E was much higher than that of the other Comparable Companies. Hence, the P/E of Riverine China Holdings Limited was not adopted when determining the median P/E of Comparable Companies. Details are listed below:

	Stock Code	Company Name	Stock Price *(HK$)*	Earnings Per Share *(HK$)*	P/E
1.	1941 HK	Ye Xing Group Holdings Limited	1.36	0.1697	8.02
2.	9916 HK	Xingye Wulian Service Group Co. Ltd.	1.49	0.1661	8.97
3.	1538 HK	Zhong Ao Home Group Limited	1.68	0.1615	10.40
4.	1895 HK	Xinyuan Property Management Service (Cayman) Ltd.	3.30	0.3257	10.13
5.	6093 HK	Hevol Services Group Co. Limited	1.39	0.0904	15.37
6.	1922 HK	Yincheng Life Service CO., Ltd.	7.29	0.2710	26.90
7.	1417 HK	Riverine China Holdings Limited	2.34	0.0546	42.87 (Outlier and excluded)
				Median:	10.27

Discount for lack of marketability ("DLOM")

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. In the valuation, the Valuer estimated the DLOM of the equity interests in the Target Company by using the option-pricing method. Under the option-pricing method, the cost of put option, which can hedge the price change before the privately held share can be sold, was considered as the basis to determine the DLOM. In the valuation, the put price was estimated with Black-Scholes Model containing five inputs: asset price, strike price, volatility, term and risk-free rate. The asset price and strike price were set at a value equal to each other, because this was the value the investor would desire to protect. Setting the asset price and strike price in this manner would give the investor the right, at the maturity of the put option, to sell the asset at the price determined at the valuation date. The volatility of the asset was determined by observing the volatility of comparable publicly traded companies in the same industry. The term of the put-option is the estimated time to liquidate the interest. Lastly, the risk-free rate should correspond with the term of the put option. Using the above method, the Valuer considered 30% as deemed to be sufficient to reflect the lack of marketability of the equity interests in the Target Company.

Control premium ("CP")

In the valuation, the Valuer considered 15% as deemed to be sufficient to reflect the CP of the equity interests in the Target Company, which was with reference to the FactSet Mergerstat/BVR Control Premium Study, an online resource that provides empirical support for quantifying CPs and implied minority discounts. CP is the premium an investor is willing to pay in addition to a marketable minority equity value to obtain a controlling interest in a business subject. The published market price of each of the identified Comparable Companies was calculated on the basis of a minority stake of the subject company; therefore, an adjustment was made to reflect the degree of control associated with 66.3111% equity interests in the Target Company.

Applying the Median P/E Multiple, DLOM and CP to the Net Profit attributable to Shareholders of the Target Company

The median P/E of the Comparable Companies ("**Median P/E**") was then applied to the net profit attributable to shareholders of the Target Company for the trailing 12 months before the Valuation Date ("**P**"), and adjusted with DLOM and CP, to arrive at the market value of 66.3111% equity interests in the Target Company ("**MV**"). Details are listed below:

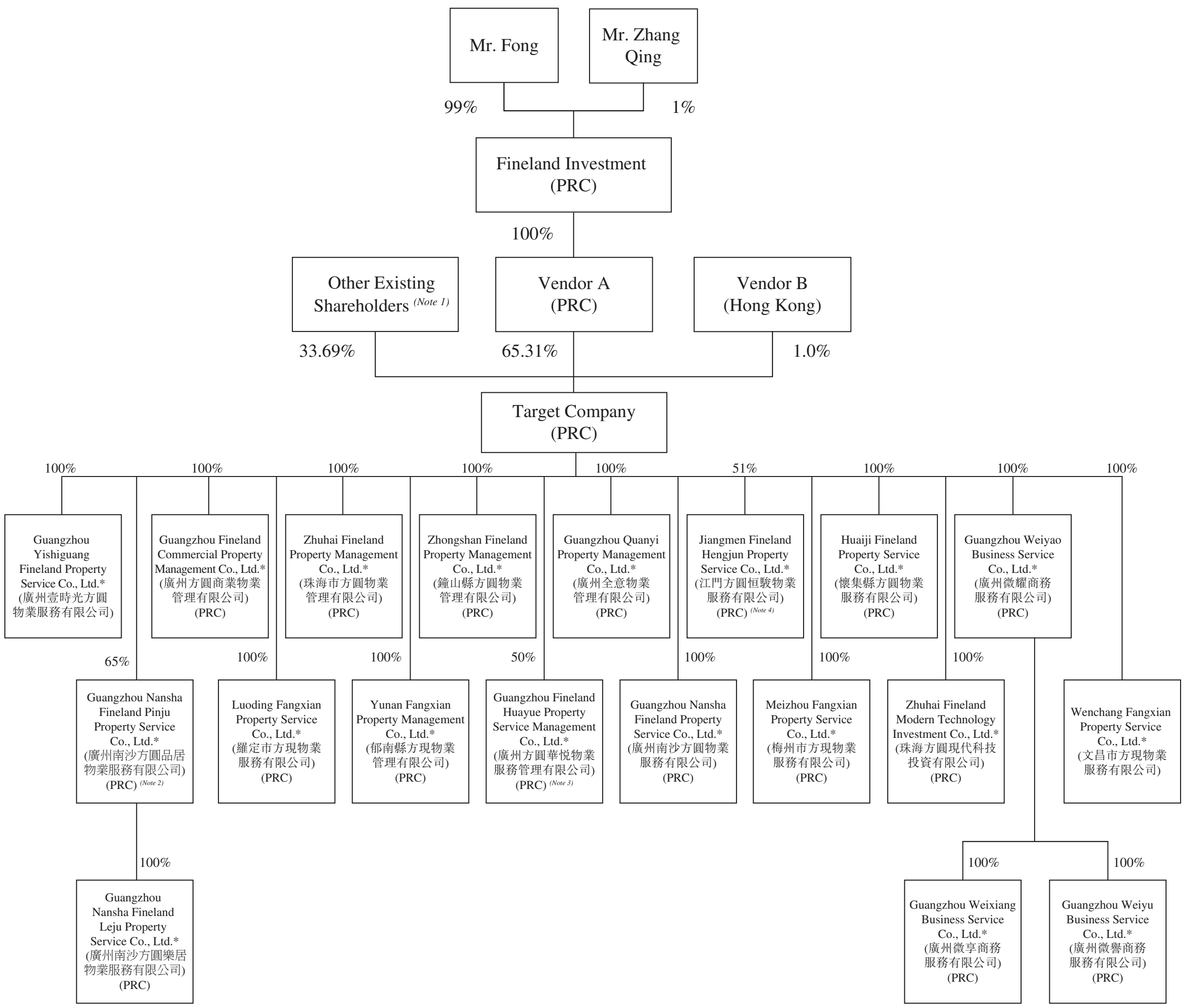
MV = Median P/E x P x (1 — DLOM) x (1 + CP) x 66.3111%, where:

Median P/E of the Comparable Companies:	10.27
Net profit attributable to shareholders of the Target Company for the trailing 12 months before the Valuation Date:	RMB12,511,000
DLOM:	30%
CP:	15%
Market value of 66.3111% equity interests in the Target Company:	RMB69,000,000 (rounded)

INFORMATION ON THE TARGET GROUP

Corporate structure of the Target Group

(i) Corporate structure of the Target Group as at the Latest Practicable Date



Note 1: The Other Existing Shareholders include the following entities and individuals:

(i) Lejia Yida holds approximately 8.67% of the equity interests in the Target Company, and is owned as to approximately 40%, 25%, 20% and 15% by Mr. Zhou Song (周松先生) (an Independent Third Party), Fineland Investment, Mr. Chen Hao (陳浩先生) (an Independent Third Party) and Mr. Chen, respectively.

(ii) Haofang Xihui holds approximately 8.67% of the equity interests in the Target Company, and is owned as to approximately 25%, 15%, 15%, 15%, 15%, 10% and 5% by Fineland Investment, Mr. Xu, Mr. Han, Ms. Rong, Mr. Lin, Mr. Liu Jingping (柳景平先生) (an Independent Third Party) and Mr. Li Qiyong (李琪勇先生) (an Independent Third Party), respectively.

(iii) Mr. Xu and Mr. Lin also directly hold approximately 0.67% and 0.67%, respectively, of the equity interests in the Target Company.

(iv) Guangzhou Yuefang Investment Consulting Co., Ltd.* (廣州市悅方投資諮詢有限公司), which is wholly-owned by Mr. Li Qiyong (李琪勇先生), Guangzhou Dingmei Information Technology Co., Ltd.* (廣州市鼎美信息科技有限公司), which is wholly-owned by Mr. Huo Zhiguo (霍志國先生), and Guangzhou Lexin Equity Investment Fund Management Co., Ltd.* (廣州市樂鑫股權投資基金管理有限公司), which is indirectly wholly-owned by Mr. Zhang Qing (張清先生), hold approximately 5.69%, 3.47% and 2.22%, respectively, of the equity interests in the Target Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, all of these entities and individuals are Independent Third Parties.

(v) Mr. Zhou Song (周松先生), Ms. Liu Shaoying (劉少英女士), Mr. Chen Hao (陳浩先生), Mr. Hu Chun (胡純先生), Ms. OuYang Xiaoqing (歐陽小青女士), Mr. Li Jialong (李家龍先生), Ms. Liu Ping (劉蘋女士), Mr. Hao Yong (郝勇先生), Mr. Chen Tingwen (陳廷文先生), Mr. Song Qiong (宋瓊先生), Mr. Chen Wenyi (陳文藝先生) directly hold approximately 0.67%, 0.67%, 0.67%, 0.36%, 0.22%, 0.22%, 0.22%, 0.22%, 0.16%, 0.13% and 0.11%, respectively, of the equity interests in the Target Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, all of these individuals are Independent Third Parties.

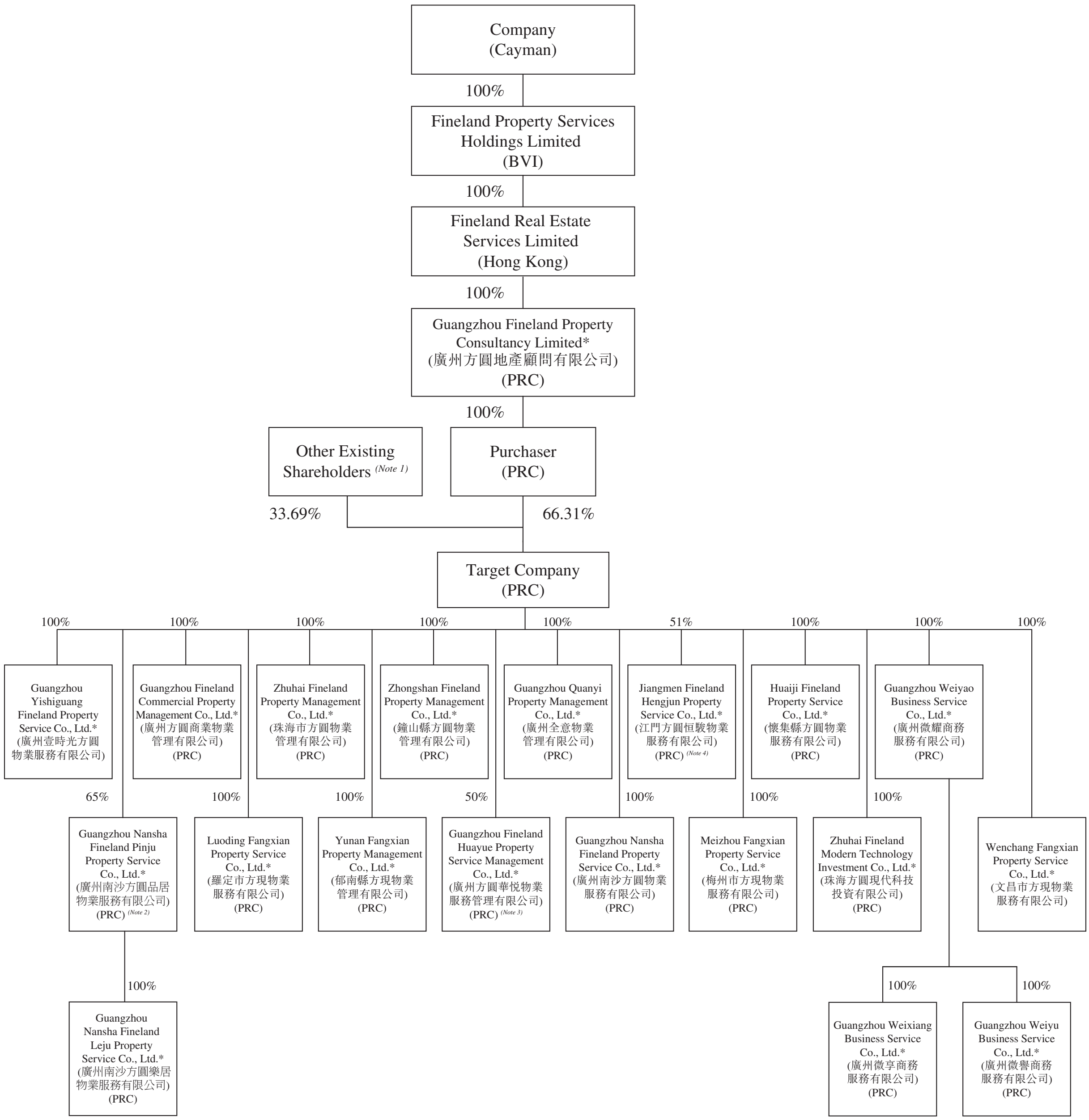
Note 2: Guangzhou Nansha Fineland Pinju Property Service Co., Ltd.* (廣州南沙方圓品居物業服務有限公司) is held as to 65% by the Target Company and 35% by Guangzhou Yuesheng Investment Co., Ltd.* (廣州粵晟投資有限公司). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Guangzhou Yuesheng Investment Co., Ltd. and its ultimate beneficial owner(s) is/are Independent Third Party(ies).

Note 3: Guangzhou Fangyuan Huayue Property Service Management Co., Ltd.* (廣州方圓華悅物業服務管理有限公司) is held as to 50% by the Target Company and 50% by Guangzhou Huaxin Group Holdings Co., Ltd.* (廣州華新集團控股有限公司), and is accounted for as a subsidiary of the Target Group since the Target Group has majority voting rights in the board of directors and has obtained effective control of the voting power to govern the relevant activities. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Guangzhou Huaxin Group Holdings Co., Ltd. and its ultimate beneficial owner(s) is/are Independent Third Party(ies).

Note 4: Jiangmen Fangyuan Hengjun Property Service Co., Ltd.* (江門方圓恒駿物業服務有限公司) is held as to 51% by the Target Company and 49% by Foshan Hengjun Property Management Co., Ltd.* (佛山市恒駿物業管理有限公司). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Foshan Hengjun Property Management Co., Ltd. and its ultimate beneficial owner(s) is/are Independent Third Party(ies).

Note 5: The aggregate of the percentage figures above may not add up to 100% due to rounding of the percentage figures to two decimal places.

(ii) Corporate structure of the Target Group immediately after the Completion



For Notes 1, 2, 3 and 4, please refer to the same notes in the section headed ‘‘Information on the Target Group — (i) Corporate structure of the Target Group as at the Latest Practicable Date ’’above.

History and background of the Target Group

The Target Company was established in 1996 under the laws of the PRC with limited liability. It has been providing property management services for 24 years, and continues to provide professional property management services and value-added services for residential and commercial properties. The Target Company is committed to becoming a leading modern integrated service provider in the property management industry in the PRC, and it has been awarded the title of "PRC's Top 100 Property Management Companies"* ("中國物業服務百強企業") for six consecutive years. In 2020, according to China Index Academy, the Target Company was ranked 22nd in the "PRC's Top 100 Property Management Companies"* ("中國物業服務22強企業"), and was awarded the title of "PRC Leading Property Management Companies in terms of Characteristic Service"* ("中國特色物業服務領先企業-東方管家") and "PRC's Top 100 Property Management Companies with High Customer Satisfaction"* ("中國物業服務百強滿意度領先企業").

The Target Company is based in Guangzhou, where its services mainly cover the Greater Bay Area and spread steadily across some other regions of the PRC. As at 31 August 2020, the Target Company has been contracted to provide property management services for 71 projects, covering a gross floor area of 12 million sq.m.. In the future, the Target Company aims to focus on the Greater Bay Area and the areas where existing projects are located for its market expansion, and plans to steadily expand under the premise of cost-effectiveness.

On 23 November 2015, the Target Company's shares were listed on the National Equities Exchange and Quotations Co., Ltd. (the "**NEEQ**") in the PRC (stock code: 834381). Pursuant to the Target Company's announcement dated 11 April 2019, a unanimous decision had been reached by the Target Company's shareholders on 9 April 2019 to delist the Target Company from the NEEQ in consideration of the Target Company's business development and long-term strategic planning. On 5 August 2019, the Target Company's shares were delisted from the NEEQ.

Financial information of the Target Group

Set out below is the summary of the key audited consolidated financial information of the Target Group for the three financial years ended 31 December 2017, 2018 and 2019, which were prepared in accordance with the accounting policies in compliance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountant:

	For the year ended 31 December		
	2017	**2018**	**2019**
	(audited)	**(audited)**	**(audited)**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	173,574	197,962	210,435
Profit before taxation and extraordinary items for the year	22,458	22,439	15,309
Profit after taxation and extraordinary items for the year	15,696	17,392	13,303

Vendor A has become a shareholder of the Target Company since 2014. The original acquisition cost of 65.31% of the equity interests in the Target Company is approximately RMB21,900,000 (equivalent to approximately HK$24,966,000).

As at the Latest Practicable Date, Vendor B is an Independent Third Party.

As at 31 August 2020, the audited net asset value of the Target Group was approximately RMB57,716,000 (equivalent to approximately HK$65,796,000).

FINANCIAL EFFECT OF THE PROPOSED ACQUISITION ON THE ENLARGED GROUP

Upon Completion, the equity interests in the Target Company will be held by the Purchaser and Other Existing Shareholders as to approximately 66.31% and 33.69%, respectively. The Target Company will become an indirectly non-wholly owned subsidiary of the Company. Accordingly, the financial results, assets and liabilities of the Target Group will be consolidated into the Group's financial statements. It is expected that the Company will be able to record additional revenue stream from the Target Group upon Completion.

The details of the financial effect of the Proposed Acquisition on the financial position of the Group together with the bases and assumption taken into account in preparing the unaudited pro forma financial information of the Enlarged Group are set out in Appendix IV to this circular for illustration purpose only.

Assets and liabilities

The following table sets forth the financial effects of the Proposed Acquisition on the Enlarged Group identified in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, assuming the Completion had taken place on 30 June 2020, as compared to the financial position of the Group as at 30 June 2020:

	As at 30 June 2020	Pro forma adjustments	Upon completion of the Proposed Acquisition (pro forma Enlarged Group)	Change
	RMB'000	*RMB'000*	*RMB'000*	*%*
Net assets	130,701	19,261	149,962	14.74
Total assets	218,700	191,905	410,605	87.75
Total liabilities	87,999	172,644	260,643	196.19

Earnings

Upon Completion expected in 2021, the revenue and expenses of the Target Group will be recognised in the Group's results for the year ending 31 December 2021. The net profit (after tax) of the Group for the financial year ended 31 December 2019 was approximately RMB22.4 million. The net profit (after tax) of the Target Group for the year ended 31 December 2019 and the eight months ended 31 August 2020 were approximately RMB13.3 million and RMB11.2 million, respectively.

REASONS FOR AND THE BENEFITS OF THE PROPOSED ACQUISITION

Expand and diversify business portfolio and improve profitability

The Company has been consistently seeking opportunities that can further expand its business scale, diversify its revenue stream and increase its profitability and market share. The Directors believe that the Proposed Acquisition presents a great opportunity for the Group to enter into the property management industry in the PRC and that it will provide a reliable revenue stream to the Group. The Directors are of the view that the property management industry has shown steady growth in the past few years and will 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 commodity properties. With the integration of the Target Group into the Group, the revenue size and business scale of the Enlarged Group is expected to be enlarged, thereby bringing greater diversity to the Enlarged Group's business portfolio. Based on the historical financial performance of the Target Group, it is also expected to bring a positive financial impact to the Group.

Create synergies and enhance operational and management efficiencies

Property management services can complement the Group's existing real estate agency business, and may potentially create more synergies by sharing customer base, market resources and operational and management experience as they serve the same group of customers in the same industry, that is, the property developers, the property owners and the property occupants in the real estate industry. Therefore, the Proposed Acquisition is expected to improve customer satisfaction as a result of the Group's integrated offering of both agency and management services. The synergistic combination of the Group and the Target Group not only leads to a greater market acceptance of the Company's brand and services, but also presents new business opportunities for the Group to enhance the breadth and depth of its services along the value chain of real estate agency and property management. The Directors also believe that the Group could optimise the deployment of manpower across various business segments to improve operational efficiency and costs control, and enable more opportunities for self-development of the staff.

THE 2020 MASTER PROPERTY MANAGEMENT SERVICES AGREEMENTS

Members of the Target Group had, in their ordinary course of business, regularly provided the Property Management Services to members and associates of the Fineland Group and the Fineland Education Group.

It is expected that such provision of the Property Management Services will continue after the completion of the Proposed Acquisition. In order to streamline these possible continuing connected transactions in relation to the provision of the Property Management Services and to facilitate compliance with relevant requirements under the Listing Rules, the Company proposes to enter into the 2020 Master Property Management Services Agreements upon completion of the Proposed Acquisition, the principal terms and conditions of which are set out in this circular.

It is proposed that, upon Completion, written agreements will be entered into by the Company and the relevant counterparties for the above continuing connected transactions in accordance with the requirements under the Listing Rules, details of which are set out below:

2020 FGH Master Property Management Services Agreement

Date	:	Upon completion of the Proposed Acquisition
Parties	:	(i) Fineland Group Holdings (for itself and on behalf of its subsidiaries and associates, as the receiving parties); and
		(ii) the Company (for itself and on behalf of its subsidiaries, as the service providers).

Condition Precedent	:	The 2020 FGH Master Property Management Services Agreement is conditional upon approval by the Independent Shareholders at the EGM of the 2020 FGH Master Property Management Services Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.
Nature of the transactions	:	The Enlarged Group will continue to provide the Property Management Services to the members and associates of the Fineland Group.
Term	:	Subject to the fulfilment of the condition precedent, the term of the 2020 FGH Master Property Management Services Agreement will commence from the Completion Date and end on 31 December 2023 (both days inclusive), unless terminated at an earlier date pursuant to the 2020 FGH Master Property Management Services Agreement. Within 90 days of its expiry, the parties may agree to extend the 2020 FGH Master Property Management Services Agreement, subject to compliance with the then applicable Listing Rules. Either party may terminate the 2020 FGH Master Property Management Services Agreement during the term by giving one-month prior notice.
Pricing	:	The fees to be received by the Enlarged Group for services rendered under the 2020 FGH Master Property Management Services Agreement are to be determined on normal commercial terms, negotiated on an arm's length basis, and should be no less favourable than those available from Independent Third Parties.
Payment terms	:	The payment terms for the Continuing Connected Transactions will be stipulated in the Implementation Agreements. The Continuing Connected Transactions will normally be settled by bank transfer on a monthly basis or on an agreed period basis.
Implementation Agreements	:	Members of the Enlarged Group and members and associates of the Fineland Group will, from time to time during the term of the 2020 FGH Master Property Management Services Agreement, enter into separate Implementation Agreements in respect of the Property Management Services contemplated thereunder which shall always be in compliance with the Listing Rules and the 2020 FGH Master Property Management Services Agreement.

2020 FE Master Property Management Services Agreement

Date	:	Upon completion of the Proposed Acquisition
Parties	:	(i) Fineland Education (for itself and on behalf of its subsidiaries and associates, as the receiving parties); and (ii) the Company (for itself and on behalf of its subsidiaries, as the service providers).
Condition Precedent	:	The 2020 FE Master Property Management Services Agreement is conditional upon the approval by the Independent Shareholders at the EGM of the 2020 FE Master Property Management Services Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.
Nature of the transactions	:	The Enlarged Group will continue to provide the Property Management Services to the members and associates of Fineland Education.
Term	:	Subject to the fulfilment of the condition precedent, the term of the 2020 FE Master Property Management Services Agreement will commence from the Completion Date and end on 31 December 2023 (both days inclusive), unless terminated at an earlier date pursuant to the 2020 FE Master Property Management Services Agreement. Within 90 days of its expiry, the parties may agree to extend the 2020 FE Master Property Management Services Agreement, subject to compliance with the then applicable Listing Rules. Either party may terminate the 2020 FE Master Property Management Services Agreement during the term by giving one-month prior notice.
Pricing	:	The fees to be received by the Enlarged Group for services rendered under the 2020 FE Master Property Management Services Agreement are to be determined on normal commercial terms, negotiated on an arm's length basis, and should be no less favourable than those available from Independent Third Parties.
Payment terms	:	The payment terms for the Continuing Connected Transactions will be stipulated in the Implementation Agreements. The Continuing Connected Transactions will normally be settled by bank transfer on a monthly basis or on an agreed period basis.

Implementation Agreements	:	Members of the Enlarged Group and members and associates of the Fineland Education Group will, from time to time during the term of the 2020 FE Master Property Management Services Agreement, enter into separate Implementation Agreements in respect of the Property Management Services contemplated thereunder which shall always be in compliance with the Listing Rules and the 2020 FE Master Property Management Services Agreement.

Pricing Policies

As a general principle, the pricing and terms of the 2020 Master Property Management Services Agreements with respect to the Property Management Services shall be determined on normal commercial terms, negotiated on an arm's length basis, and the fees shall be no less favourable than those available from Independent Third Parties.

The pricing policy applicable is similar to that for similar services rendered to Independent Third Parties, having regard to the following:

Types of services		**Specific pricing policies**
Sales office property management services	:	(i) the service fee shall be determined according to the Enlarged Group's service cost (including but not limited to labour cost, specific skills or qualifications required by employees, environmental cleaning cost, material cost and miscellaneous expenses) plus management fee profit margin (generally ranging from 10% to 20%) and tax; and
		(ii) when determining the management fee profit margin, the Enlarged Group and the Fineland Group will consider a number of factors, including type of property, geographical location/region, contractual period, sales cycle, nature and complexity of related projects, customer's expectation of service quality, and past profit margin of similar existing contracts, etc., and also the fees received by the Enlarged Group for providing services of a similar scale and quality to Independent Third Parties, taking into account not less than two transactions entered into with them. If there are insufficient comparable transactions, the Enlarged Group will make reference to the prevailing market prices for providing services for comparable properties in terms of scale, location, and quality, etc., offered by other real estate property management service providers.

Property management services before and after completion and delivery of the property	:	(i)	the service fee shall be determined according to the prevailing market price multiplied by the gross floor area of the relevant property management project. If the scope of service involves the management of parking spaces, it shall be determined according to the prevailing market price multiplied by the gross floor area of parking spaces or a fixed fee based on the number of parking spaces; and
		(ii)	when determining the prevailing market price, the Enlarged Group and the Fineland Group will consider a number of factors, including the type of property and its status, geographical location/region, scope and quality of services, general situation of owners and residents, pricing guidance on property management fees issued by the local authorities (if any), and pricing of property management service fee of surrounding properties, and also the fees received by the Enlarged Group for providing services of a similar scale and quality to Independent Third Parties, taking into account not less than two transactions entered into with them. If there are insufficient comparable transactions, the Enlarged Group will make reference to the prevailing market prices for providing services for comparable properties in terms of scale, location, and quality, etc., offered by other real estate property management service providers.

Property management services to school(s)	:	(i)	the service fee shall be determined according to the Enlarged Group's service cost (including but not limited to labour cost, specific skills or qualifications required by employees, environmental cleaning cost, material cost and miscellaneous expenses) plus management fee profit margin (generally ranging from 10% to 20%) and tax; and
		(ii)	when determining the management fee profit margin, the Enlarged Group and the Fineland Education Group will consider a number of factors, including type of property and its status, geographical location/region, contractual period, nature and complexity of related projects, customer's expectation of service quality, and past profit margin of similar existing contracts, etc., and also the fees received by the Enlarged Group for providing services of a similar scale and quality to Independent Third Parties, taking into account not less than two transactions entered into with them. If there are insufficient comparable transactions, the Enlarged Group will make reference to the prevailing market prices for providing services for comparable properties in terms of scale, location, and quality, etc., offered by other real estate property management service providers.

Based on the above, the relevant quality control departments of the Enlarged Group will also conduct market research and investigation from time to time to ensure that the above property management service fee is not lower than the prevailing market price. This may include reviewing the latest government guidance price (if any), minimum wage, social insurance and housing provident funding required for employees on the relevant government websites and researching on the management fee charged by other real estate property management service providers in the relevant locations. The internal control department of the Enlarged Group will examine and approve within its authority according to the approval procedures of the Enlarged Group, and ensure that the pricing terms agreed with each of the Fineland Group and the Fineland Education Group are no less favourable than the pricing or prevailing market terms of similar services provided by the Enlarged Group to Independent Third Parties. For details of the Enlarged Group's internal control procedures for the 2020 Master Property Management Services Agreements, please refer to the section headed "Internal Control Measures" below.

Historical Aggregate Transaction Amounts

The table below sets out the historical transaction amounts for fees received by the Target Group in respect of the Property Management Services for the respective periods below:

Categories	**Historical transaction amounts**			
	For the year ended 31 December 2017	**For the year ended 31 December 2018**	**For the year ended 31 December 2019**	**For the eight months ended 31 August 2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property Management Services between the Target Group and the Fineland Group	31,039	33,579	40,499	18,206
Property Management Services between the Target Group and the Fineland Education Group	664	919	761	91

The historical transaction amounts for fees received by the Target Group from the Fineland Group in respect of the sales office property management services had dropped in the first half of 2020 as compared to the same period in 2019. This was mainly due to the outbreak of the novel coronavirus which had led to a slowdown in the volume of sales office property management services provided by the Target Group to the Fineland Group. With the stabilisation of the epidemic situation in the PRC, the Target Group's transaction amounts for fees received by the Target Group from the Fineland Group in respect of the sales office property management services for the period from 1 July 2020 to 31 October 2020 had recouped strongly and had demonstrated a trend of achieving a level which is close to that of the same period in 2019. Hence, it will be more relevant to refer to the historical transaction amount for the year ended 31 December 2019 given the exceptional circumstances in 2020.

Proposed Annual Caps

The table below sets out the Proposed Annual Caps in respect of the 2020 Master Property Management Services Agreements for the respective periods below:

Categories	Proposed Annual Caps		
	For the period from the Completion Date to 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023
	RMB'000	*RMB'000*	*RMB'000*
2020 FGH Master Property Management Services Agreement	49,000	53,000	60,000
2020 FE Master Property Management Services Agreement	720	740	760

The Proposed Annual Caps in respect of the Property Management Services transactions contemplated under the 2020 Master Property Management Services Agreements are determined on the following bases:

(i) in relation to the 2020 FGH Master Property Management Services Agreement:

(a) historical transaction amounts between the Target Group and the members and associates of the Fineland Group for the period from 1 January 2017 to 31 August 2020;

(b) the estimated revenue to be recognised in relation to the Property Management Services for properties before and after their completion and delivery provided by the Target Group pursuant to existing contracts;

(c) for the years ending 31 December 2021 and 2022, the expected gross floor areas of the sales offices and new property projects of the members and associates of the Fineland Group which will require the Property Management Services provided by the Enlarged Group, as well as:

(1) in relation to the sales office property management services, the estimated number of staff required and the management fee expected to be generated by those staff members based on four representative historical transactions between the Target Group and the Fineland Group; and

(2) in relation to the property management services before and after completion and delivery of the property, a service fee ratio calculated by dividing the aggregate management fee in respect of six representative property projects charged to the Fineland Group from 2017 to 2019 by the aggregate gross floor area of these six representative property projects delivered by the Fineland Group; and

(d) for the year ending 31 December 2023:

(1) in relation to the sales office property management services, an annual growth rate of 20%; and

(2) in relation to the property management services before and after completion and delivery of the property, an annual growth rate of 3% and 5% for non-residential and residential properties, respectively.

The annual growth rate has been adopted for the year ending 31 December 2023 as the Fineland Group was still developing its sales plan for the same period as at the Latest Practicable Date. The Directors, having considered sub-paragraphs (a), (b) and (c) above, consider the above annual growth rates to be appropriate so as to cater for inflation, the expansion plan of the Fineland Group and provide flexibility to the Enlarged Group.

The above Proposed Annual Caps depend largely on the sales plan of the Fineland Group. An increase is expected in the sales amount of the properties to be developed and launched for sale by the Fineland Group for the three years ending 31 December 2023 primarily because the Fineland Group has successfully obtained more projects of larger scale in terms of gross floor area to be sold, mainly in areas outside of Guangzhou in the Greater Bay Area. Since the beginning of 2018, the management of the Fineland Group has increased its efforts in procuring new projects in areas outside Guangzhou in the Greater Bay Area, which are perceived to have strong market potential alongside the expected accelerated economic growth. As many of these new projects to be launched for sale are larger in scale in terms of gross floor area, the gross floor area to be sold is expected to increase steadily in 2021, 2022 and 2023. Historically, the Target Group had provided the Property Management Services to a significant portion of the sales office and properties developed by the Fineland Group; thus the Directors consider these plans to be a major consideration and reliable factor in determining the Proposed Annual Caps. Taking into account the development and sales plan of the Fineland Group for the two years up to 2022 and the information partially available for 2023, the Directors believe that the demand for the Target Group's Property Management Services by the Fineland Group would increase from 2021 to 2023, and the transaction amounts under the 2020 FGH Master Property Management Services Agreement will in turn increase year-on-year during the corresponding years.

(ii) in relation to the 2020 FE Master Property Management Services Agreement:

(a) historical transaction amounts between the Target Group and the Fineland Education Group for the period from 1 January 2017 to 31 August 2020;

(b) the estimated revenue to be recognised in relation to the Property Management Services provided by the Target Group pursuant to existing contracts;

(c) the estimated number of schools of the members and associates of the Fineland Education Group which will remain to be two that require the Property Management Services to be provided by the Enlarged Group and the expected cost of managing such school(s) plus a management fee profit margin by reference to historical transactions between the Target Group and the members and associates of the Fineland Education Group; and

(d) having considered sub-paragraphs (a), (b) and (c) above and the CAGR of approximately 7.1% during 2017 to 2019, an annual growth rate of 3% so as to cater for inflation and provide flexibility to the Enlarged Group.

Shareholders and potential investors should note that the Proposed Annual Caps should not be construed as an assurance or forecast by the Company of the future revenues of the Enlarged Group.

REASONS FOR AND THE BENEFITS OF THE 2020 MASTER PROPERTY MANAGEMENT SERVICES AGREEMENTS

The Property Management Services contemplated under the 2020 Master Property Management Services Agreements are of a recurrent nature and, subject to Completion having taken place, will occur on a regular and continuing basis in the ordinary and usual course of business of the Enlarged Group and the counterparties to the 2020 Master Property Management Services Agreements.

In line with the market practice and the Company's past practice, the Company considered it necessary for Listing Rules compliance purposes and administrative convenience to enter into a framework agreement with each of the holding companies of the relevant contract counterparties in order to better document and manage these continuing connected transactions. The 2020 Master Property Management Services Agreements serve to streamline the Property Management Services between members of the Enlarged Group and members and associates of the Fineland Group and the Fineland Education Group by providing a single basis upon which the Company could comply with the applicable reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules and thereby reducing the administrative burden and costs of the Company in complying with these requirements.

Members and associates of the Fineland Group and the Fineland Education Group are with respectable experience and reputation in their respective areas of businesses or services and solid financial standing and have demonstrated themselves as reliable customers of the Target Group over the years. The Directors believe that the maintenance of the strategic business relationships with them will not only allow the realisation of synergies and economies of scale but will also continue to bring sustainable contribution to the Enlarged Group's growth in the long run.

THE TRADEMARK LICENSING AGREEMENTS

On 1 January 2020, certain members of the Target Group had entered into 14 trademark licensing agreements with Fineland Group Holdings. The principal terms of each of the Trademark Licensing Agreements are largely similar and are as follows:

Date	:	1 January 2020
Parties	:	(i) Certain members of the Target Group; and (ii) Fineland Group Holdings.
Nature of transaction	:	Fineland Group Holdings granting certain members of the Target Group the license to use the trademarks ("方圆东方管家 FINELAND BUTLER SERVICE", "", "fineland" and "方圆现代生活 FINELAND E-LIFE") owned by it on a non-exclusive basis.
Term	:	From 1 January 2020 until the expiry of the trademarks.
Consideration	:	Royalty-free.
Termination	:	Fineland Group Holdings may, at its discretion, elect to terminate the agreement if the counterparty fails to use the trademarks in accordance with Fineland Group Holdings' guidance.

It is expected that the above arrangements will continue after the completion of the Proposed Acquisition.

REASONS FOR AND THE BENEFITS OF THE TRADEMARK LICENSING AGREEMENTS

Since around 2007, the Target Group has been adopting some of the trademarks for its property management business and corporate promotions. As the trademarks have been widely adopted in the businesses and activities managed and operated by the Target Group and are generally known and recognised by the public, the trademarks have become an important means of promoting the Target Group's brand and image as well as a key icon in the Target Group's external promotion and marketing activities. The continual use of the trademarks will ensure the continuity of the brand and image of the Target Group, thereby ensuring that the services and businesses of the Target Group will be well recognised by the market. This will also be an important guarantee of the Target Group's competitiveness and efficiency.

In view of the above, certain members of the Target Group entered into the Trademark Licensing Agreements with Fineland Group Holdings to continue the use of the trademarks.

INFORMATION ON THE PARTIES

The Group and the Purchaser

The Group is principally engaged in the provision of property intermediary services through three main business segments, namely (i) real estate agency services in the primary and secondary property markets (including Online Referral Platform services); (ii) property research and consultancy services; and (iii) integrated services, with a focus mainly in Guangzhou and also elsewhere in the Greater Bay Area.

The Purchaser is a company established under the laws of the PRC with limited liability, which is an indirectly wholly-owned subsidiary of the Company and is an investment holding company.

The Vendors

Vendor A is an investment holding company established under the laws of the PRC with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, Vendor A is a directly wholly-owned subsidiary of Fineland Investment, which in turn is owned as to approximately 99% and 1% by Mr. Fong and Mr. Zhang Qing (張清先生) (an Independent Third Party), respectively. Mr. Fong, who is the chairman, the non-executive Director and a controlling shareholder of the Company, and is also the executive director and general manager of Vendor A. As such, Vendor A is a connected person of the Company.

Vendor B is a company incorporated in Hong Kong with limited liability and is principally engaged in the procurement and derivatives trading of grain and oil commodities. Vendor B and its ultimate beneficial owner, Mr. Lai Ningchang (賴寧昌先生), are Independent Third Parties.

The counterparties to the 2020 Master Property Management Services Agreements

Fineland Group Holdings, formerly known as Fineland Real Estate Holdings Company Limited (方圓地產控股有限公司), is an exempted company incorporated in the Cayman Islands with limited liability on 22 June 2016, and is one of the controlling shareholders of the Company. The Fineland Group (including Fineland Group Holdings and its subsidiaries) is principally engaged in the business of the development and sale of residential and commercial properties, and investment in commercial real estate, including office buildings, hotels and serviced apartments.

Fineland Education is a company established under the laws of the PRC with limited liability. As at the Latest Practicable Date, it is owned as to approximately 90%, 5% and 5% by Fineland Investment, Ms. Liu Shaoying (劉少英女士) (an Independent Third Party) and Ms. Huang Huishan (黃慧珊女士) (an Independent Third Party), respectively. The Fineland Education Group is principally engaged in the business of education services, including childcare services, preschool education and compulsory education, etc.

INTERNAL CONTROL MEASURES

The Group has established internal control measures for reporting and monitoring continuing connected transactions which will be complied by the Enlarged Group and will continue to follow upon Completion to ensure compliance with Chapter 14A of the Listing Rules.

According to the Group's prevailing internal policy and procedure manual, the designated officer of the operations department will report to the internal control department headed by Mr. Yi Ruofeng, an executive Director and the compliance officer of the Company, who has no interests in the transactions contemplated under the 2020 Master Property Management Services Agreements, with details of the possible notifiable or connected transactions to be entered into by the Group for review and disclosure or further action as required in compliance with Chapter 14A of the Listing Rules. The head of the relevant quality control departments of the Enlarged Group will also gather market data from time to time on the prevailing market price for each type of property management services for comparable properties and report to the internal control department. For a transaction that falls within the scope of Continuing Connected Transactions, the internal control department will monitor the current Continuing Connected Transaction amount and ensure that the transaction amounts of the potential connected transactions will not result in the Proposed Annual Caps being exceeded. The internal control department will also review, and the head of internal control department, Mr. Yi Ruofeng, will approve, the Implementation Agreements to ensure that its provisions are, in all material aspects, consistent with the principles, guidelines, relevant management fee profit margin, guidance price (if any), and other terms and conditions set out in the 2020 Master Property Management Services Agreements and that the fees charged to the Fineland Group and the Fineland Education Group are in accordance with the prevailing market prices of providing similar property management services to Independent Third Parties with reference to:

(i) the fees charged by the Enlarged Group to at least two Independent Third Parties for providing property management services for comparable properties in terms of scale, location, quality, etc. as stated under the section headed "Pricing Policies" above; or

(ii) if there are not sufficient comparable transactions in (i) above, the normal commercial terms by reference to the prevailing market prices for providing property management services for comparable properties in terms of scale, location, quality, etc. as stated under the section headed "Pricing Policies" above, offered by other real estate property management service providers.

In order to ensure that the actual fees for the services provided to the Fineland Group and the Fineland Education Group are conducted on normal commercial terms (or terms no less favourable to the Enlarged Group than terms available to Independent Third Parties), the Enlarged Group will also adopt the following methods and procedures:

(i) the internal control department will keep proper documentation of the agreements entered into between the Enlarged Group and its customers and make reference to the market data gathered by the relevant quality control departments of the Enlarged Group from time to time on the prevailing market price for each type of property management service for comparable properties in terms of scale, location, type of property and status, scope and quality, and nature and complexity of required services and use these as reference prices for determining whether the fees charged for a specific transaction is in accordance with the aforesaid pricing policy;

(ii) the internal audit department will carry out regular assessments of the Continuing Connected Transactions for each financial year and report its findings to the Board including the aggregate transaction amount for the respective year;

(iii) the independent non-executive Directors will, on an annual basis, review the transactions contemplated under the 2020 Master Property Management Services Agreements and confirm, among other matters, such transactions have been entered into according to the agreement governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole; and

(iv) the external auditors of the Group will, on an annual basis, report on the transactions contemplated under the 2020 Master Property Management Services Agreements and confirm, among other matters, whether anything has come to their attention that causes them to believe such transactions were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions.

Accordingly, the Directors consider that there will be an adequate internal control mechanism in place as abovementioned to ensure that the transactions contemplated under the 2020 Master Property Management Services Agreements will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Proposed Acquisition

As at the Latest Practicable Date, Vendor A is a directly wholly-owned subsidiary of Fineland Investment, which in turn is owned as to 99% by Mr. Fong, a controlling shareholder of the Company. As such, Vendor A is an associate of Mr. Fong and a connected person of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios in respect of the Proposed Acquisition under Rule 14.07 of the Listing Rules exceeds 25% but is less than 100%, the Proposed Acquisition constitutes a major transaction and a connected transaction of the Company and is therefore subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The 2020 Master Property Management Services Agreements

Upon Completion, the Target Company will become an indirectly non-wholly owned subsidiary of the Company. The possible continuing transactions to be entered into between the Group, on the one hand, and Fineland Group Holdings (a controlling shareholder of the Company) and Fineland Education (a company which Mr. Fong indirectly holds approximately 89% effective equity interests as at the Latest Practicable Date), on the other hand, will become continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios in respect of the Proposed Annual Caps of the 2020 Master Property Management Services Agreements under Rule 14.07 of the Listing Rules exceeds 5% and is more than HK$10,000,000, the possible transactions under these agreements and the Proposed Annual Caps are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Trademark Licensing Agreements

Upon Completion, the Target Company will become an indirectly non-wholly owned subsidiary of the Company. The existing continuing transactions contemplated under the Trademark Licensing Agreements will also become continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon Completion.

As the possible continuing connected transactions contemplated with Fineland Group Holdings under the Trademark Licensing Agreements will be conducted on a royalty-free basis until the expiry of the trademarks, they are fully exempt from the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Independent Financial Adviser has been appointed to issue an independent opinion, as set out in the letter from Optima Capital in this circular, to explain the reasons for requiring a duration longer than three years and to confirm that the period of each of these agreements with Fineland Group Holdings exceeding three years is consistent with the practice adopted for similar types of transactions, under Rule 14A.52 of the Listing Rules.

APPROVAL BY THE BOARD

As at the Latest Practicable Date, (i) Mr. Fong, being the chairman, the non-executive Director and a controlling shareholder of the Company, is the executive director and general manager of Vendor A and indirectly holds approximately 99% of its equity interests, and is also a director of Fineland Group Holdings and Fineland Education and indirectly holds equity interests in each of them (as further detailed above in the section headed "Information on the Parties"); (ii) Ms. Tse, being an executive Director and a controlling shareholder of the Company, is a party acting in concert with Mr. Fong; and (iii) Ms. Rong, being the chief executive officer of the Company and an executive Director, owns approximately 15% of Haofang Xihui, which in turn holds approximately 8.67% of the equity interests in the Target Company, and also holds positions in the Fineland Group, each of Mr. Fong, Ms. Tse and Ms. Rong is deemed to be materially interested in the Share Purchase Agreement, the 2020 Master Property Management Services Agreements, the Trademark Licensing Agreements and the transactions contemplated thereunder. Accordingly, each of Mr. Fong, Ms. Tse and Ms. Rong has abstained from voting on the Board resolutions approving the Share Purchase Agreement, the 2020 Master Property Management Services Agreements, the Trademark Licensing Agreements, the transactions contemplated thereunder and the Proposed Annual Caps.

Save as disclosed above, none of the other Directors has a material interest who is required to abstain from voting on the Board resolutions approving the Share Purchase Agreement, the 2020 Master Property Management Services Agreements, the Trademark Licensing Agreements, the transactions contemplated thereunder and the Proposed Annual Caps.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Leung Wai Hung, Mr. Liao Junping, Mr. Tian Qiusheng and Mr. Du Chenhua, being all independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Share Purchase Agreement, the 2020 Master Property Management Services Agreements, the transactions contemplated thereunder and the Proposed Annual Caps. None of the members of the Independent Board Committee has any material interest in the Share Purchase Agreement, the 2020 Master Property Management Services Agreements, the transactions contemplated thereunder and the Proposed Annual Caps. The letter from the Independent Board Committee is set out on pages 46 to 47 of this circular.

The Company has also appointed Optima Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Share Purchase Agreement, the 2020 Master Property Management Services Agreements, the Trademark Licensing Agreements, the transactions contemplated thereunder and the Proposed Annual Caps. The letter from Optima Capital is set out on pages 48 to 97 of this circular.

CLOSURE OF REGISTER

To ascertain the members' entitlement to attend and vote at the meeting, the register of members of the Company will be closed from 22 December 2020 to 28 December 2020 (both days inclusive), during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the EGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on 21 December 2020.

EGM AND PROXY ARRANGEMENT

The notice convening the EGM to be held at 3:00 p.m. on 28 December 2020 at 11th Floor, No. 28 Tiyu East Road, Tianhe District, Guangzhou, the PRC is set out on pages EGM-1 to EGM-3 of this circular. At the EGM, ordinary resolutions will be proposed to the Independent Shareholders to consider and if appropriate, approve the Share Purchase Agreement, the 2020 Master Property Management Services Agreements, the transactions contemplated thereunder and the Proposed Annual Caps. Any vote of the Independent Shareholders at the EGM will be taken by poll.

A form of proxy for use in connection with the EGM is enclosed herewith. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjourned meeting thereof) should you so wish.

VOTING ARRANGEMENT

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting of the Company must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolutions to be considered and, if thought fit, approved at the EGM will be voted by way of a poll by the Shareholders. An announcement on the poll results will be made by the Company after the EGM, in the manner prescribed under Rule 13.39(5) of the Listing Rules, on the results of the EGM.

Shareholders with material interests, namely (i) Mr. Fong (due to his shareholding interests in Vendor A, the Fineland Group and the Fineland Education Group and his role as executive director and general manager of Vendor A as well as his role as director of Fineland Group Holdings and Fineland Education); (ii) Ms. Tse (due to the acting-in-concert arrangement with Mr. Fong); (iii) Ms. Rong, Mr. Han, Mr. Xu, Mr. Lin and Mr. Chen (due to their positions held in the Fineland Group and/or the Fineland Education Group and/or their shareholding interest in the Target Company); and (iv) each of their respective associates, who in aggregate hold 258,000,000 Shares, representing 64.5% of the issued share capital of the Company, will be required to abstain from voting on the relevant resolutions to be proposed at the EGM.

As at the Latest Practicable Date, (i) Mr. Fong and Ms. Tse indirectly through Mansion Green, hold 216,000,000 Shares, representing approximately 54.0% of the issued share capital of the Company; (ii) Ms. Rong, Mr. Han, Mr. Xu, Mr. Lin and Mr. Chen indirectly hold 24,000,000 Shares, 4,500,000 Shares, 4,500,000 Shares, 4,500,000 Shares and 4,500,000 Shares, representing approximately 6%, 1.125%, 1.125%, 1.125% and 1.125%, respectively, of the issued share capital of the Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date:

(i) save for the deed of concert parties dated 31 March 2017 entered into between Mr. Fong and Ms. Tse, none of the above-mentioned Shareholders has entered into or is bound upon any voting trust or other agreement or arrangement or understanding;

(ii) none of the above-mentioned Shareholders is subject to any obligation or entitlement causing he/she/it has or may have, temporarily or permanently, passed control over the exercise of the voting right in respect of his/her/its Shares to a third party, either generally or on a case-by-case basis; and

(iii) there was no discrepancy between the beneficial shareholding interest of the above-mentioned Shareholders and the number of Shares in respect of which he/she/it will control or will be entitled to exercise control over the voting right at the EGM.

Save as disclosed, no other Shareholder is required to abstain from voting for the relevant resolutions at the EGM due to their interests in the Proposed Acquisition and the 2020 Master Property Management Services Agreements and the Proposed Annual Caps.

RECOMMENDATION

The Directors (including the independent non-executive Directors having taken into account the advice of the Independent Financial Adviser but excluding Mr. Fong, Ms. Tse and Ms. Rong who have abstained from voting from the relevant Board resolutions) consider that the Share Purchase Agreement, the 2020 Master Property Management Services Agreements (including the Proposed Annual Caps), the Trademark Licensing Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board and the Independent Board Committee recommend the Independent Shareholders to vote in favour of the ordinary resolutions approving the Proposed Acquisition, the 2020 Master Property Management Services Agreements, the transactions contemplated thereunder and the Proposed Annual Caps at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 46 to 47 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM and to the letter from Optima Capital as set out on pages 48 to 97 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Share Purchase Agreement, the 2020 Master Property Management Services Agreements, the Trademark Licensing Agreements, the transactions contemplated thereunder and the Proposed Annual Caps.

Your attention is also drawn to the additional information set out in the appendix to this circular.

GENERAL

The Proposed Acquisition and the 2020 Master Property Management Services Agreements are subject to the fulfilment (or, as the case may be, waiver) of conditions. As the Proposed Acquisition and the Continuing Connected Transactions may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

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

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)

3 December 2020

To the Independent Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF APPROXIMATELY 66.31% OF THE EQUITY INTERESTS IN THE TARGET COMPANY

AND

(2) POSSIBLE CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 2020 MASTER PROPERTY MANAGEMENT SERVICES AGREEMENTS

We refer to the circular dated 3 December 2020 (the "Circular") despatched by the Company to the Shareholders of which this letter forms part. Unless the context otherwise requires, terms and expressions defined in the Circular shall have the same meanings in this letter.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Proposed Acquisition, the 2020 Master Property Management Services Agreements, the transactions contemplated thereunder and the Proposed Annual Caps, details of which are set out in the "Letter from the Board" in the Circular. Optima Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee in this regard.

We wish to draw your attention to the "Letter from the Board" set out on pages 11 to 45 of the Circular and the "Letter from Optima Capital" containing its advice to us set out on pages 48 to 97 of the Circular.

Having taken into account, among other things, the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in the "Letter from Optima Capital" in the Circular, we concur with the view of the Independent Financial Adviser and consider that:

(i) though the Proposed Acquisition is not in the ordinary and usual course of business of the Company, terms of the Share Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Share Purchase Agreement is in the interests of the Company and the Shareholders as a whole; and

(ii) the terms of the 2020 Master Property Management Services Agreements and the transactions contemplated thereunder (together with the Proposed Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, the continuing connected transactions under the 2020 Master Property Management Services Agreements are conducted in the ordinary and usual course of business of the Enlarged Group and the entering into of the 2020 Master Property Management Services Agreements is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Share Purchase Agreement, the 2020 Master Property Management Services Agreements, the transactions contemplated thereunder and the Proposed Annual Caps.

Yours faithfully,
Independent Board Committee
Mr. Leung Wai Hung, Mr. Liao Junping,
Mr. Tian Qiusheng and Mr. Du Chenhua
Independent non-executive Directors

Suite 1501, 15th Floor
Jardine House
1 Connaught Place
Central, Hong Kong

3 December 2020

To: the Independent Board Committee and
the Independent Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF APPROXIMATELY 66.31% OF THE EQUITY INTERESTS IN THE TARGET COMPANY;
(2) POSSIBLE CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 2020 MASTER PROPERTY MANAGEMENT SERVICES AGREEMENTS;
AND
(3) POSSIBLE CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE TRADEMARK LICENSING AGREEMENTS

INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Proposed Acquisition contemplated under the Share Purchase Agreement, the continuing connected transactions contemplated under the 2020 Master Property Management Services Agreements, the Proposed Annual Caps regarding the provision of the Property Management Services by the Enlarged Group to members and associates of the Fineland Group and the Fineland Education for the three years ending 31 December 2023 and the duration of the Trademark Licensing Agreements. Details of the Proposed Acquisition, the Continuing Connected Transactions, the Proposed Annual Caps and the Trademark Licensing Agreements are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 3 December 2020 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

The Proposed Acquisition

On 15 October 2020, the Purchaser, an indirectly wholly-owned subsidiary of the Company, and the Vendors entered into the Share Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares, which represent approximately 66.31% of the equity interests in the Target Company, at a cash consideration of RMB68,000,000 (equivalent to approximately HK$77,520,000).

As at the Latest Practicable Date, Vendor A is a directly wholly-owned subsidiary of Fineland Investment, which in turn is owned as to 99% by Mr. Fong, a controlling shareholder of the Company. As such, Vendor A is an associate of Mr. Fong and a connected person of the Company under Chapter 14A of the Listing Rules. As the highest of the applicable percentage ratios in respect of the Proposed Acquisition under Rule 14.07 of the Listing Rules exceeds 25% but is less than 100%, the Proposed Acquisition constitutes a major transaction and a connected transaction of the Company and is therefore subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The 2020 Master Property Management Services Agreements

Members of the Target Group had, in their ordinary course of business, regularly provided the Property Management Services to members and associates of the Fineland Group and the Fineland Education Group.

It is expected that such provision of the Property Management Services will continue after the completion of the Proposed Acquisition. In order to streamline these possible continuing connected transactions in relation to the provision of the Property Management Services and to facilitate the compliance with relevant requirements under the Listing Rules, the Company proposes to enter into the 2020 Master Property Management Services Agreements upon completion of the Proposed Acquisition.

As the Target Company will become an indirectly non-wholly owned subsidiary of the Company upon completion of the Proposed Acquisition, the possible continuing transactions to be entered into between the Group, on the one hand, and Fineland Group Holdings (a controlling shareholder of the Company) and Fineland Education (a company which Mr. Fong indirectly holds 99% of its equity interests as at the Latest Practicable Date), on the other hand, will become continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios in respect of the Proposed Annual Caps of the 2020 Master Property Management Services Agreements under Rule 14.07 of the Listing Rules exceeds 5% and is more than HK$10,000,000, the possible transactions under these agreements and the Proposed Annual Caps for the same are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Trademark Licensing Agreements

Upon Completion, the Target Company will become an indirectly non-wholly owned subsidiary of the Company. The existing continuing transactions contemplated under the Trademark Licensing Agreements will also become continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon Completion.

As the continuing connected transactions contemplated with Fineland Group Holdings under the Trademark Licensing Agreements will be conducted on a royalty-free basis until the expiry of the trademarks, they are fully exempt from the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company has appointed us as the Independent Financial Adviser to issue an independent opinion to explain the reasons for requiring a duration longer than three years and to confirm that the period of each of these agreements with Fineland Group Holdings exceeding three years is consistent with the practice adopted for similar types of transactions, under Rule 14A.52 of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors namely, Mr. Leung Wai Hung, Mr. Liao Junping, Mr. Tian Qiusheng and Mr. Du Chenhua has been formed to advise the Independent Shareholders as to whether the terms of the Share Purchase Agreement, the 2020 Master Property Management Services Agreements (including the Proposed Annual Caps) are (i) fair and reasonable; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (iii) in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote on the resolutions to be proposed at the EGM. We have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same issue.

During the past two years, we have acted as an independent financial adviser to the independent board committee and independent shareholders of the Company in relation to continuing connected transactions as detailed in the circulars of the Company dated 7 November 2018 and 7 October 2020. The past engagements were limited to providing independent advisory services to the Company pursuant to the Listing Rules, for which we received normal professional fees. Accordingly, we do not consider the past engagements give rise to any conflict of interest for us in acting as the Independent Financial Adviser in this case.

We are not associated with the Company, the Target Group, the Vendors, Fineland Group Holdings, Fineland Education or their respective core connected persons, close associates or associates and accordingly are considered to be eligible to give independent advice on the terms of the Share Purchase Agreement, the 2020 Master Property Management Services Agreements, the Proposed Annual Caps and the duration of the Trademark Licensing Agreements. Apart from normal professional fees paid or payable to us in connection with our appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Target Group, the Vendors, Fineland Group Holdings, Fineland Education or any of their respective core connected persons, close associates or associates.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, amongst others, (i) the Share Purchase Agreement, the 2020 Master Property Management Services Agreements and the Trademark Licensing Agreements; (ii) the interim report of the Company for the six months ended 30 June 2020; (iii) the annual report of the Company for the years ended 31 December 2017, 2018 and 2019; (iv) the prospectus of the Company dated 31 October 2017; (v) the accountants' report of the Target Group as set out in Appendix II to the Circular; (vi) the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to the Circular; and (vii) other information contained in the Circular.

We relied on the information and facts supplied, and the opinions expressed to us, by the Directors and management of the Group (the "**Management**") and the respective professional advisers of the Company, which we have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and will continue to be so as at the date of the EGM. We have assumed all the opinions or representations of the Management and the respective professional advisers of the Company have been reasonably made after due and careful enquiry. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received to be sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, nor doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the principal factors and reasons set out below:

1. Information on the Group

1.1. Principal business of the Group

The Group is a property consultancy and agency company based in Guangzhou, the PRC which is principally engaged in the provision of property intermediary services. There are three main business segments, namely (i) real estate agency services in the primary and secondary property markets (including Online Referral Platform services); (ii) property research and consultancy services; and (iii) integrated services. The Group provides mainly the real estate agency services to its customers and most of its customers are properties developers and their designated agents.

1.2. Financial information of the Group

Set out below is the summary of the results of the Group for each of the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020:

	For the six months ended		For the year ended 31 December		
	2020	2019	2019	2018	2017
	("6M2020")	("6M2019")	("FY2019")	("FY2018")	("FY2017")
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Revenue:					
— Real estate agency services (including Online Referral Platform services)	128,016	126,637	252,900	224,646	160,211
— Property research and consultancy service	140	666	1,424	3,131	3,846
— integrated services	757	894	1,951	1,126	2,303
	128,913	128,197	256,275	228,903	166,360
Profit/(loss) for the period/year	2,613	8,380	22,417	30,116	(6,645)

1.2.1. Revenue

Revenue of the Group was approximately RMB166.4 million, RMB228.9 million and RMB256.3 million for FY2017, FY2018 and FY2019, respectively, representing an increase of 37.6% from FY2017 to FY2018 and an increase of 12.0% from FY2018 to FY2019. Revenue of the Group also increased slightly for 6M2020 as compared to that of the six months ended 30 June 2019. Such increases were mainly driven by the increases in revenue generated from provision of the real estate agency services which contributed over 95% of the total revenue of the Group during the years/periods under review.

Increase in revenue from provision of real estate agency services in FY2018 was mainly due to the increase in primary property projects handled by the Group from 205 in FY2017 to 232 in FY2018. Increase in revenue of this segment in FY2019 was primarily driven by the significant growth in revenue contribution from the Online Referral Platform as a result of the increasing popularity of the Online Referral Platform. Revenue increased slightly in 6M2020 as a result of the increasing trend of utilising the Online Referral Platform and such impact was partially offset by the decrease in revenue contributed by the traditional agency services due to the unexpected outbreak of COVID-19.

Revenue from property research and consultancy services decreased during the years/periods under review. Such decreases were mainly due to the slowdown of the growth rate of the commercial and residential building volume sold resulting from the tightened government policies in the PRC. The number of projects undertaken by the Group decreased from 49 in FY2017 to 32 in FY2018 and further to eleven in FY2019. The projects undertaken by the Group also decreased from five in 6M2019 to two in 6M2020.

Revenue from Integrated Services fluctuated from approximately RMB2.3 million in FY2017 to approximately RMB1.1 million in 2018, and increased to approximately RMB2.0 million in FY2019. Revenue from this segment slightly decreased from around RMB0.9 million in 6M2019 to around RMB0.8 million in 6M2020. These were mainly driven by fluctuating demand and transaction volumes for the Group's Zhaoshangyi and One-stop Service Centre ancillary services during the years/periods under review.

1.2.2. Profit/(loss) for the year/period

The Group recorded loss of approximately RMB6.6 million and profits of approximately RMB30.1 million, RMB22.4 million, RMB8.4 million and RMB2.6 million for FY2017, FY2018, FY2019, 6M2019 and 6M2020, respectively.

The loss incurred by the Group in FY2017 was mainly due to the listing expense incurred by the Group of around RMB20.3 million. Excluding such expense, the Group would have recorded profit of approximately RMB13.7 million in FY2017. The Group recorded profit of around RMB30.1 million for FY2018 which was mainly due to the combined effects of (i) absence of the aforesaid listing expenses; and (ii) increase in revenue of approximately RMB62.5 million as discussed above; and the effects of which were partially offset by (i) an increase in employee benefit expenses of approximately RMB13.0 million and (ii) an increase in advertising, promotion and other commission expenses of approximately RMB26.3 million resulting from expansion of the Group during FY2018.

The Group recorded a decrease in profit by around RMB7.7 million in FY2019, which was mainly due to (i) the increase in commission expenses which was in line with the growth in revenue contribution from the Online Referral Platform; (ii) the listing expense incurred for the transfer of listing of the Shares from GEM to the Main Board of around RMB4.2 million in FY2019; (iii) the absence of the government subsidy for newly listed companies received in FY2018 of approximately RMB3 million; and (iv) a decrease in exchange gains resulting in a lower other income and gains.

1.2.3. Financial position

Set out below is the summary of the Group's financial position as at 31 December 2019 and 30 June 2020:

	As at 30 June 2020 *RMB'000* (unaudited)	**As at 31 December 2019** *RMB'000* (audited)
Currents assets	208,554	193,938
Non-current assets	10,146	16,460
Total assets	218,700	210,398
Current liabilities	82,009	71,474
Non-current liabilities	5,990	10,329
	87,999	81,803
Net assets	130,701	128,595

The total assets of the Group amounted to around RMB218.7 million and RMB210.4 million as at 30 June 2020 and 31 December 2019, respectively. The major components of the total assets of the Group as at 30 June 2020 were (i) bank balances and cash; (ii) trade receivables; (iii) amounts due from fellow subsidiaries; and (iv) deposits, prepayments and other receivables, representing approximately 41.4%, 23.0%, 15.2%, 10.0% of the total assets of the Group, respectively. The increase in total assets of the Group by around RMB8.3 million as at 30 June 2020 was primarily due to an increase in trade receivables by approximately RMB15.4 million. The Management advised that it took longer time for the settlement of receivables in respect of the Online Referral Platform services by the customers as the Company extended the credit period in order to expand its Online Referral Platform. Such effect was partially offset by a decrease in right-of-use assets by around RMB5.8 million which was mainly due to the disposal of right-of-use assets in 6M2020. As at 30 June 2020, the bank balances and cash of the Group amounted to around RMB90.5 million.

Total liabilities of the Group amounted to around RMB88.0 million and RMB81.8 million as at 30 June 2020 and 31 December 2019, respectively. As at 30 June 2020 and 31 December 2019, the Group did not have any interest-bearing borrowings. The major components of the total liabilities of the Group as at 30 June 2020 were (i) trade payables; (ii) accruals and other payables; (iii) tax payables; and (iv) contract liabilities, representing approximately 30.2%, 29.8%, 17.1% and 12.0% of the total liabilities of the Group, respectively. The total liabilities of the Group increased by approximately RMB6.2 million as at 30 June 2020, which was mainly due to increase in trade payables by approximately RMB9.0 million and increase in contract liabilities by around RMB2.6 million. The aforesaid effects were partially offset by a decrease in lease liabilities by around RMB5.9 million.

As a result of the foregoing, the net assets increased slightly from approximately RMB128.6 million as at 31 December 2019 to approximately RMB130.7 million as at 30 June 2020.

2. Information on the Target Group and its businesses

2.1. Principal business of the Target Group

The Target Company was established in 1996 under the laws of the PRC with limited liability. It has been providing property management services for 24 years, and continues to provide professional property management services and value-added services for residential and commercial properties.

The Target Company is based in Guangzhou, where its services mainly cover the Greater Bay Area and spread steadily across some other regions of the PRC. As at 31 August 2020, the Target Company has been contracted to provide property management services for 71 projects, covering a GFA of 12 million sq.m.. In the future, the Target Company aims to focus on the Greater Bay Area and the areas where existing projects are located for its market expansion, and plans to steadily expand under the premise of cost effectiveness.

2.2. Financial information of the Target Group

Set out below is the summary of the results of the Target Group for each of the three years ended 31 December 2017, 2018 and 2019 and eight months ended 31 August 2019 and 2020:

	For the eight months ended				
	2020 ("8M2020")	**2019 ("8M2019")**	**FY2019**	**FY2018**	**FY2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(unaudited)	(audited)	(audited)	(audited)
Revenue:					
— Property management services	97,163	86,331	137,427	133,019	116,570
— Value-added services	22,458	29,046	40,871	38,095	28,966
— Other value-added services	15,430	16,003	31,207	25,155	26,894
— Sales of goods	478	581	930	1,693	1,144
	135,529	131,961	210,435	197,962	173,574
Profit for the period/year	11,199	7,312	13,303	17,392	15,696

2.2.1. Revenue

Revenue of the Target Group was approximately RMB173.6 million, RMB198.0 million and RMB210.4 million for FY2017, FY2018 and FY2019, respectively, representing an increase of 14.1% from FY2017 to FY2018 and an increase of 6.3% from FY2018 to FY2019. Revenue of the Target Group also increased slightly by around 2.7% for 8M2020 as compared to that of 8M2019.

Revenue increased in FY2018 was mainly due to the increases in revenue generated from (i) provision of property management services and (ii) value-added services as a result of increase in the contracted GFA and the number of new projects of the Target Group during the year. Revenue increased in FY2019 was mainly due to increase in revenue generated from provision of property management services resulting from increase in the contracted GFA and the number of new projects of the Target Group. Revenue increased slightly in 8M2020 due to the combined effects of (i) increase in revenue generated from property management services by approximately RMB10.8 million as result of increase in the contracted GFA and the number of new projects of the Target Group; and (ii) decrease in value-added services by approximately RMB6.6 million which was mainly attributable to the decrease in demand of services due to the pandemic of COVID-19.

2.2.2. Profit for the year/period

The Target Group recorded profit of approximately RMB15.7 million, RMB17.4 million, RMB13.3 million, RMB7.3 million and RMB11.2 million for FY2017, FY2018, FY2019, 8M2019 and 8M2020, respectively.

Profit increased by approximately RMB1.7 million, or 10.8%, from approximately RMB15.7 million for FY2017 to approximately RMB17.4 million for FY2018, which was mainly due to an increase in revenue of approximately RMB24.4 million as discussed above and such effect was partially offset by an increase in administrative expenses of approximately RMB10.9 million resulting from (i) increase in staff costs due to the addition of administrative staff and salary increment and (ii) increase in depreciation costs relating to the investment properties acquired in July 2018.

Profit decreased by approximately RMB4.1 million, or 23.6%, for FY2019. Such decrease was primarily due to (i) the decrease in gross profit margin resulting from increases in (a) subcontracting costs charged to the Target Group and (b) labour cost generally as a result of a raise in the minimum wages and to cope with the increase in demand of services during the year; (ii) the increase in administrative expenses of approximately RMB4.9 million resulting from increases in (a) staff costs due to the addition of administrative staff and salary increment and (b) depreciation costs due to the full year effect of depreciation relating to investment properties acquired in July 2018; and (iii) increase in finance costs by around RMB2.5 million resulting from the interest-bearing loan obtained by the Target Group in 2018 for acquisition of investment properties. The aforesaid effect was partially offset by the increase in other net gains of approximately RMB4.6 million primarily attributable to full year effect of the rental income received in respect of the investment properties acquired in July 2018.

Profit increased by around RMB3.9 million, or 53.4%, from approximately RMB7.3 million for 8M2019 to approximately RMB11.2 million for 8M2020. Such increase was due to (i) increase in other net income of approximately RMB5.1 million as a result of the gain on disposal of the investment properties and the government grant(s) obtained for relieving the impact caused by the pandemic of COVID-19; (ii) decrease in finance costs of approximately RMB1.7 million as a result of repayment of borrowings following the disposal of investment properties; and (iii) decrease in impairment losses of trade and other receivables and other assets of approximately RMB1.4 million mainly due to recovery of long-aged trade receivables. The aforesaid effects were partially offset by the decrease in gross profit margin which was primarily due to increases in subcontracting costs charged to the Target Group.

2.2.4. Financial position

Set out below is the summary of the Target Group's financial position as at 31 December 2017, 2018, 2019 and 31 August 2020:

	As at 31 August 2020 *RMB'000* (audited)	As at 31 December 2019 *RMB'000* (audited)	2018 *RMB'000* (audited)	2017 *RMB'000* (audited)
Currents assets	162,699	98,678	98,822	126,718
Non-current assets	4,095	103,478	109,180	4,812
Total assets	166,794	202,156	208,002	131,530
Current liabilities	109,078	136,195	153,794	115,020
Non-current liabilities	—	56,030	63,930	—
	109,078	192,225	217,724	115,020
Net assets/(liabilities)	57,716	9,931	(9,722)	16,510

The total assets of the Target Group amounted to around RMB 131.5 million, RMB208.0 million, RMB202.2 million and RMB166.8 million as at 31 December 2017, 2018, 2019 and 31 August 2020, respectively.

Total liabilities of the Target Group amounted to around RMB115.0 million, RMB217.7 million, RMB192.2 million and RMB109.1 million as at 31 December 2017, 2018, 2019 and 31 August 2020, respectively.

As at 31 December 2017

The major components of the total assets of the Target Group as at 31 December 2017 were (i) bank balances and cash of RMB89.0 million and (ii) trade receivables of RMB31.1 million, representing approximately 67.7% and 23.7% of the total assets of the Target Group, respectively.

The major components of the total liabilities of the Target Group as at 31 December 2017 were (i) accrual and other payables of RMB67.6 million; (ii) contract liabilities of RMB18.8 million and (iii) borrowings of RMB15 million, representing approximately 58.7%, 16.3% and 13.0% of the total liabilities of the Target Group, respectively.

As at 31 December 2018

The major components of the total assets of the Target Group as at 31 December 2018 were (i) investment properties of RMB104.9 million; (ii) trade receivables of RMB44.1 million; (iii) bank balances and cash of RMB31.7 million, representing approximately 50.4%, 21.2% and 15.2% of the total assets of the Target Group, respectively. Increase in total assets of the Target Group by approximately RMB76.5 million as at 31 December 2018 was primarily due to (i) an acquisition of aforesaid investment properties in July 2018 and (ii) an increase in trade receivables by approximately RMB13.0 million which was in line with the growth of businesses of the Target Group. The aforesaid effects were partially offset by a decrease in bank balances and cash by approximately RMB57.3 million which was mainly attributable to the abovementioned acquisition.

The major components of the total liabilities of the Target Group as at 31 December 2018 were (i) borrowings of RMB98.0 million; (ii) accruals and other payables of RMB81.3 million and (iii) contract liabilities of RMB25.2 million, representing approximately 45.0%, 37.4% and 11.6% of the total liabilities of the Target Group. The total liabilities of the Target Group increased by approximately RMB102.7 million as at 31 December 2018 was mainly due to the increase in interest-bearing borrowings obtained by the Target Group during FY2018 for acquisition of the investment properties.

As at 31 December 2019

The major components of the total assets of the Target Group as at 31 December 2019 were (i) investment properties of RMB99.5 million; (ii) trade receivables of RMB59.2 million; (iii) amounts due from shareholders and entities controlled by shareholders of RMB20.1 million; and (iv) bank balances and cash of RMB14.5 million, representing approximately 49.2%, 29.3%, 9.9% and 7.2% of the total assets of the Target Group, respectively. Decrease in total assets of the Target Group by approximately RMB5.8 million as at 31 December 2019 was primarily due to decrease in bank balance and cash by approximately RMB17.2 million as a result of the acquisition of investment property in July 2018 and such effect was partially offset by an increase in trade receivables by approximately RMB15.1 million which was in line with the growth in revenue in FY2019 as discussed above.

The major components of the total liabilities of the Target Group as at 31 December 2019 were (i) accruals and other payables of RMB85.2 million; (ii) borrowings of RMB64.2 million and (iii) contract liabilities of RMB24.2 million, representing approximately 44.3%, 33.4% and 12.6% of the total liabilities of the Target Group, respectively. The total liabilities of the Target Group decreased by approximately RMB25.5 million as at 31 December 2019, primarily due to decrease in borrowings by approximately RMB33.8 million and such effect was partially offset by an increase in trade payables by approximately RMB6.9 million which was in line with the increase in cost of services incurred by the Group in FY2019.

As at 31 August 2020

The major components of the total assets of the Target Group as at 31 August 2020 were (i) trade receivables of RMB66.9 million; (ii) bank balances and cash of RMB66.5 million; and (iii) amounts due from shareholders and entities controlled by shareholders of RMB21.3 million, representing approximately 40.1%, 39.9% and 12.8% of the total assets of the Target Group, respectively. The decrease in total assets of the Target Group by around RMB35.4 million as at 31 August 2020 was primarily due to a decrease in investment properties by RMB99.5 million as well as an increase in bank balances and cash by approximately RMB52.0 million resulting from the disposals of (i) investment properties; and (ii) certain subsidiaries which are not engaged in provision of property management services.

The major components of the total liabilities of the Target Group as at 31 August 2020 were (i) accruals and other payables of RMB65.5 million; (ii) contract liabilities of RMB21.9 million; and (iii) trade payables of RMB19.8 million, representing approximately 60.1%, 20.1% and 18.1% of the total liabilities of the Target Group, respectively. The total liabilities of the Target Group decreased by approximately RMB83.1 million as at 31 August 2020 was mainly due to (i) decrease in borrowings of RMB64.2 million resulting from the settlement of borrowings following the disposal of the investment of properties and (ii) decrease in accruals and other payables of RMB19.7 million. As at 31 August 2020, the Target Group did not have any interest-bearing borrowings.

3. Reasons for and benefits of the Proposed Acquisition

3.1. Reasons for entering into of the Share Purchase Agreement

Expand and diversify business portfolio and improve profitability

The Company has been consistently seeking opportunities that can further expand its business scale, diversify its revenue stream and increase its profitability and market share. The Directors believe that the Proposed Acquisition presents a great opportunity for the Group to enter the property management industry in the PRC and that it will provide a reliable revenue stream to the Group. The Directors are of the view that the property management industry has shown steady growth in the past few years and will 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 commodity properties. With the integration of the Target Group into the Group, the revenue size and business scale of the Enlarged Group is expected to be enlarged, thereby bringing greater diversity to the Enlarged Group's business portfolio. Based on the historical financial performance of the Target Group, it is also expected to bring a positive financial impact to the Group.

Create synergies and enhance operational and management efficiencies

Property management services can complement the Group's existing real estate agency business, and may potentially create more synergies by sharing customer base, market resources and operational and management experience as they serve the same group of customers in the same industry, that is, the property developers, the property owners and the property occupants in the real estate industry. Therefore, the Proposed Acquisition is expected to improve customer satisfaction as a result of the Group's integrated offering of both agency and management services. The synergistic combination of the Group and the Target Group not only leads to a greater market acceptance of the Company's brand and services, but also presents new business opportunities for the Group to enhance the breadth and depth of its services along the value chain of real estate agency and property management. The Directors also believe that the Group could optimise the deployment of manpower across various business segments to improve operational efficiency and costs control, and enable more opportunities for self-development of the staff.

3.2. Overview of the PRC property management market

The PRC property management industry emerged in the 1980s, when the first domestic property management company was founded in Shenzhen. Since then, the PRC property management industry has undergone several stages of development. Followed by the official promulgation of the Provisions on Property Management (《物業管理條例》) in 2003 and Property Law of the Mainland China (《中華人民共和國物權法》) in 2007, the regulatory framework for the property management industry gradually took shape and matured. According to the independent market research report prepared by CIA, the urbanisation rate of the PRC increased from 29.0% in 1995 to 60.6% in 2019. The increase of the urbanisation rate has directly facilitated the real estate market in the urban area and the growth of the property management industry.

With reference to the industry report published by Cushman & Wakefield on 20 May 2020, the economic growth, urbanisation and rising standards of living in the PRC have been the main driving forces behind the increasing market demand for properties. The real estate industry in the PRC is dependent on the PRC's overall economic growth, including the increase in the purchasing power of the residents and the resulting demand for residential properties.

Coupled with the effects of the growth of domestic investment, consumption and the economy, the property market in the PRC has been growing rapidly. According to the National Bureau of Statistics of China, the total GFA of commodity residential properties completed decreased from approximately 809 million sq.m. in 2014 to approximately 680 million sq.m. in 2019. However, with the relaxation of restrictions on purchase of residential properties, the total GFA of commodity residential properties sold increased from approximately 1,052 million sq.m. in 2014 to approximately 1,501 million sq.m. in 2019. Thus, the aggregate GFA under management of the property management industry has increased from 17.5 billion sq.m. in 2015 to 23.9 billion sq.m. in 2019, representing a CAGR of approximately 8.2%.

With the booming of the real estate market and the significant increase in GFA under management of the property management industry, the total revenue of the property management industry in the PRC reached RMB568.7 billion, representing a 2015–2019 CAGR of 9.3%, according to CIA.

According to CIA, aggregate GFA under management of properties managed by the Top 100 Property Management Companies in the PRC increased from 5.0 billion sq.m. in 2015 to 10.4 billion sq.m. in 2019, representing a CAGR of 20.5%. Further, the average number of properties managed by the Top 100 Property Management Companies in the PRC increased from 154 in 2015 to 212 in 2019, representing a CAGR of 8.3%, while the average GFA under management of properties managed by the Top 100 Property Management Companies in the Mainland China increased from 23.6 million sq.m. in 2015 to 42.8 million sq.m. in 2019, representing a CAGR of 15.1%.

In the PRC, property management service fees are the primary revenue source for property management companies. Property management fees may be charged either on a lump sum basis or a commission basis. The lump sum basis is the dominant revenue model in the property management industry in the Mainland China. According to CIA, the revenue from property management services of the Top 100 Property Management Companies in the PRC has achieved steady growth through both organic growth and external acquisitions. With reference to CIA, the average revenue from property management services of the Top 100 Property Management Companies in the PRC increased from RMB450.3 million in 2015 to RMB817.0 million in 2019, representing a CAGR of 16.1%. Whereas, the net profit margin of the Top 100 Property Management Companies in the PRC remained stable at around 5.5%, 5.6% and 6.0% in 2017, 2018 and 2019, respectively.

In light of the positive prospect of the property management market as mentioned above as well as the number of contracted projects of the Target Company as at 31 August 2020 as discussed under the section headed "2.1 Principal business of the Target Group", we concur with the view of the Directors that the Target Group is well positioned to ride on this industry growth. Further, having considered the respective principal businesses of the Group and the Target Group as well as the satisfactory financial performance of the Target Group as discussed under the section headed "2.2 Financial information of the Target Group", the Directors consider, and we concur, the Proposed Acquisition may produce synergy effect and improve the profitability of the Group.

4. Principal terms of the Sale and Purchase Agreement

4.1. Date and parties to the Sale and Purchase Agreement

Date: 15 October 2020

Parties:

(i) the Purchaser, an indirectly wholly-owned subsidiary of the Company;

(ii) Vendor A, a directly wholly-owned subsidiary of Fineland Investment and indirectly held as to approximately 99% by Mr. Fong as at the Latest Practicable Date; and

(iii) Vendor B, an Independent Third Party.

4.2. Assets to be acquired

Pursuant to the Share Purchase Agreement, the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares which represent approximately 66.31% of the equity interests in the Target Company. The Target Group is principally engaged in the provision of professional property management services and value-added services for residential and commercial properties.

4.3. Consideration

Pursuant to the Share Purchase Agreement, the Consideration of RMB68,000,000 (equivalent to approximately HK$77,520,000) will be payable to the Vendors, in proportion to each of their respective equity interests in the Target Company as at the date of the Share Purchase Agreement, and settled by the Purchaser in cash in the following manner:

(i) RMB13,600,000 (equivalent to approximately HK$15,504,000), being 20% of the Consideration at the later of (a) the Completion Date; or (b) the date on which the Vendors are allowed under applicable laws (including the completion of any requisite foreign exchange registration) to receive the Consideration;

(ii) RMB20,400,000 (equivalent to approximately HK$23,256,000), being 30% of the Consideration within 180 days from the Completion Date; and

(iii) RMB34,000,000 (equivalent to approximately HK$38,760,000), being 50% of the Consideration at the later of (a) 28 February 2022; or (b) within 360 days from the Completion Date.

The Consideration was determined after arm's length negotiation between the Purchaser and the Vendors after taking into account, among others:

(i) the preliminary valuation of 66.3111% of the equity interests in the Target Company being approximately RMB69,000,000 (equivalent to approximately HK$78,660,000) as at 31 July 2020 as prepared by the Valuer using market approach;

(ii) the unaudited consolidated financial information of the Target Group for the three financial years ended 31 December 2017, 2018 and 2019 and for the eight months ended 30 August 2020; and

(iii) the strategic implication of the Proposed Acquisition to the Company as mentioned in the section headed "3 Reasons for and the benefits of the Proposed Acquisition" above.

The Consideration will be financed primarily by the internal resources of the Group but it is open to other means of financing including but not limited to debt or equity fund raising, or a combination of the aforesaid, to finance current and future acquisitions (if any). As at the Latest Practicable Date, the Group had no current intention for any fundraising activities nor under any negotiation or discussion with any party in this regard.

Details of the assessment of the Consideration are set out in the section headed "5. Assessment of the Consideration" in this letter.

4.4. Conditions Precedent

Pursuant to the Share Purchase Agreement, Completion is conditional upon, *inter alia:*

(i) the Purchaser having completed the legal, financial and other due diligence review on the Target Group and it being reasonably satisfied with the results;

(ii) the Transaction Documents having been duly executed;

(iii) the Purchaser having obtained a PRC legal opinion in respect of the Share Purchase Agreement, the 2020 Master Property Management Services Agreements and the Proposed Acquisition, from a PRC legal adviser appointed by the Purchaser, in the form and substance satisfactory to the Purchaser;

(iv) all consents, approvals, authorisations or waivers required by the Target Company, other members of the Target Group and the Vendors for the implementation of the Proposed Acquisition and the Continuing Connected Transactions (including but not limited to consents, approvals, authorisations or waivers from the relevant government authorities, stock exchange, management, board, shareholders (or shareholders' meetings), any lenders pursuant to facility agreements or any third parties pursuant to other contracts (if applicable)), having been obtained and remains valid;

(v) the Target Company having filed and completed the filing with the competent local branch of the State Administration for Market Regulation of the PRC (中國國家市場監督管理總局當地部門) for the revision and restatement of the articles of association of the Target Company to reflect the completion of the Proposed Acquisition;

(vi) all consents, approvals or authorisations required by the Purchaser for the implementation of the Proposed Acquisition and the Continuing Connected Transactions (including but not limited to the approvals of the Board and Shareholder), having been obtained and remains valid;

(vii) to the knowledge of the Purchaser, there being no material adverse change to the conditions (including but not limited to the financial position, business, asset, property, results of operations, prospects, etc.) of the Target Group from the date of the Share Purchase Agreement and up to the Completion, and there being no restrictions, court orders, claims, or pending or threatened claims, or instigations, that limits any parties to the Proposed Acquisition and the Continuing Connected Transactions to consummate them;

(viii) the Vendors' not having violated the obligations and undertakings under the Share Purchase Agreement or the Transaction Documents;

(ix) from the date of the Share Purchase Agreement and up to the Completion, the warranties and representations given by the Vendors in the Share Purchase Agreement remain true, accurate and not misleading and there being no fact, matter or circumstance (when repeated at Completion) which would render the warranties and representations untrue or inaccurate in any respect, and the Vendors having delivered a completion letter to the satisfaction of the Purchaser; and

(x) the delivery of the documents (including share certificates, updated register of members (reflecting the shareholding of the Target Company after the Proposed Acquisition) and evidence showing the completion of items (iv), (v) and (ix) above).

Each party to the Share Purchase Agreement shall use its best endeavours to procure the fulfilment of the Conditions Precedent. The Purchaser may at any time prior to Completion waive any of the Conditions Precedent (except for condition (vi)) in writing.

As at the Latest Practicable Date, conditions (i), (iii) and (iv) have been fulfilled.

4.5. Completion

Subject to the fulfilment (or, as the case may be, waiver (except for condition (vi))) of the Conditions Precedent, Completion shall take place on the Completion Date.

Upon Completion, the equity interests in the Target Company will be held by the Purchaser and Other Existing Shareholders as to approximately 66.31% and 33.69%, respectively. The Target Company will become an indirectly non-wholly owned subsidiary of the Company and the financial results of the Target Group will be consolidated in the Group's financial statements.

4.6. Indemnity

Each of the Vendors, severally, agrees to indemnify and compensate the Purchaser from and against any and all direct or foreseeable losses, damages, expenses or liabilities which are caused by any breach of the representations, warranties and undertakings given by such Vendor under the Share Purchase Agreement. In addition, Vendor A has agreed to indemnify and compensate the Purchaser from and against any and all direct or foreseeable losses, damages, expenses or liabilities incurred by the Target Group in respect of contributions for social insurance and housing provident fund of employees, tax, leased properties and registration of leased properties.

5. Assessment of the Consideration

As disclosed in the letter from the Board, the Consideration was determined after arm's length negotiation between the Purchaser and the Vendors. The Consideration of RMB68,000,000 (being approximately HK$77,520,000) represents a discount of approximately 1.4% to the market value of 66.3111% of the equity interests in the Target Company (the "**Valuation**") of approximately RMB69,000,000 (equivalent to approximately HK$78,660,000) as at 31 July 2020 (the "**Valuation Date**") as set out in the valuation report (the "**Valuation Report**") prepared by Cushman & Wakefield Limited (i.e. the Valuer).

We have discussed with the Valuer regarding its expertise. The two person-in-charge of this valuation exercise are Mr. Tsang and Mr. Chan. Mr. Tsang is a registered business valuer who has over 27 years' experience in conducting business valuation. He is also a member of Royal Institution of Chartered Surveyors and a member of The Hong Kong Institute of Surveyors. Mr. Chan is a holder of Chartered Financial Analyst who has over 12 years' experience in conducting business valuation. The Valuer confirmed that it is independent from the parties to the Share Purchase Agreement and their respective core connected persons. We have reviewed the terms of the Valuer's engagement letter and noted that the scope of work is appropriate for arriving at the valuation of the 66.3111% equity interests in the Target Company and we are unaware that there are any limitations on the relevant scope of work. In addition, nothing has come to our attention that the parties to the Share Purchase Agreement had made formal or informal representation to the Valuer that contravenes with our understanding of the information, to a material extent, as set out in the Circular. Based on the above, we are of the opinion that we have complied with the requirements of Rule 13.80(2)(b) Note 1(d) of the Listing Rules.

We noted that the Valuation was primarily based on the market approach. We have discussed with the Valuer the methodologies and bases and assumptions adopted for conducting the Valuation. In selecting the most appropriate approach, the Valuer considered the quantity and quality of information provided, access to available data, availability of relevant market transactions, type and nature of subject assets, purpose and objective of the valuation and professional judgment and technical expertise. The Valuer also considered the relative advantages and disadvantages of different approaches and the income approach and cost approach were determined to be inappropriate for the purpose of the Valuation because (i) income approach requires detailed financial forecast of the Target Company in the project period, which involves adoption of much more subjective assumptions than the other approaches, not all of which can be easily quantified or ascertained; and (ii) cost approach is generally not considered applicable to the valuation of a going concern, as it does not directly incorporate information about the economic benefits associated with the business. For the purpose of the Valuation, the Valuer adopted the market approach. Taking into account the facts and circumstances as discussed above, we concur that the Valuer's adoption of the market approach as the primary valuation methodology for the Valuation is reasonable.

In adopting the market approach, the Valuer has used guideline public company method in the Valuation. The guideline company method focuses on analysing the data and valuation multiples of companies that can be considered comparable to those being valued. Adjustments are made to the comparable companies to compensate for differences between those companies and the company being valued. Finally, appropriate valuation multiples are applied to the subject company's financial data to arrive at an indication of the value of the subject company.

We understand that the Valuer identified seven comparable companies for conducting the Valuation under the guideline company method. We have discussed with the Valuer in relation to its selection criteria used for the identification of the comparable companies and assessed the appropriateness of the comparable companies selected. The following criteria are used for identifying the comparable companies on Bloomberg TerminalTM: (i) company is principally engaged in property management service in the PRC which is classified under the real estate services sector in Bloomberg Terminal™ and with over 85% of revenue contributing from property management and related value-added services for the latest financial year before the Valuation Date; (ii) company is profitable for the trailing 12 months before the Valuation Date, which is essential in determining the price-to-earnings ("**P/E**") multiple; (iii) company is listed on the Stock Exchange, where the company's financial information is publicly available; and (iv) company is relatively small in size, with market capitalisation of below HK$3 billion as at the Valuation Date, which is considered to be more comparable and relevant to the Target Company and at the same time, identifies sufficient quantity of comparable companies to facilitate effective assessment. Since the Target Group is principally engaged in the provision of property management services in the PRC, we consider that valuation based on comparable companies which also engage in the provision of property management services principally in the PRC provides a reasonable basis to derive the appraised value of the Target Company.

An exhaustive list of seven Comparable Companies satisfying the above selection criteria were identified on Bloomberg Terminal™. Details of the Comparable Companies are as follows:

Stock code:	Company name	Description	Stock price *(HK$)*	Earnings per Share *(HK$)*	P/E multiple *(Note)*
1941	Ye Xing Group Holdings Limited	Ye Xing Group Holdings Limited provides property management services. The company offers comprehensive property management and related services for residential and non-residential properties. The company provides services in the PRC.	1.36	0.1697	8.02
9916	Xingye Wulian Service Group Co. Ltd.	Xingye Wulian Service Group Co. Ltd. operates as a property management service provider. The company provides security, cleaning, greening and gardening, parking space management, repair and maintenance for common areas, and customer services. The company also engages in intelligent engineering services including planning, design, and installation of security systems. The company provides services in the PRC.	1.49	0.1661	8.97
1538	Zhong Ao Home Group Limited	Zhong Ao Home Group Limited is a property management company in the PRC. The company provides property developers and owners with management services to residential properties. The company also offers sales assistance by deploying onsite staff.	1.68	0.1615	10.40
1895	Xinyuan Property Management Service (Cayman) Ltd.	Xinyuan Property Management Service (Cayman) Ltd. provides property management services. The company offers cleaning and sanitation, safety and security, gardening, parking space management and facilities maintenance, utility fee payment, common area resources management, and other services. The company conducts business in the PRC.	3.30	0.3257	10.13

Stock code:	Company name	Description	Stock price *(HK$)*	Earnings per Share *(HK$)*	P/E multiple *(Note)*
6093	Hevol Services Group Co. Limited	Hevol Services Group Co. Limited provides property management services and related value-added services in the PRC.	1.39	0.0904	15.37
1922	Yincheng Life Service Co., Ltd.	Yincheng Life Service Co., Ltd. offers property management services. The company manages residential properties, government facilities, financial institutions, property sales offices, parks, and other facilities. The company also provides life community value added services. The company provides services in the PRC.	7.29	0.2710	26.90
1417	Riverine China Holdings Limited	Riverine China Holdings Limited operates as a property management company. The company offers engineering, repair and maintenance, security, and cleaning and gardening services. The company serves office buildings, cultural venues, stadiums, exhibition halls, government properties, and industrial areas in the PRC.	2.34	0.0546	42.87 *(Outlier and excluded)*

Note: The P/E multiple of each of the comparable companies was arrived at based on the stock price as at the Valuation Date and the latest available historical earnings per share (excluding listing expenses, if any) for the trailing 12 months before the Valuation Date.

We have conducted searches on Bloomberg Terminal™ based on the above criteria and identified the same comparable companies. We have also reviewed the particulars of the comparable companies identified by the Valuer and the selection criteria under which the selection process followed, including the business nature of the comparable companies, and noted that the comparable companies are principally engaged in the property management services in the PRC which is same as the Target Group. As such, we consider the basis for selection of the comparable companies is in line with normal market practice and is fair and reasonable.

The Valuer advised that P/E multiples were used as valuation multiples for the Valuation. The Valuer explained and we concur that, as the Target Group is not capital intensive and is profit making, the use of P/E multiples is commonly adopted method for evaluating asset-light and profit-making companies and is therefore adopted by the Valuer for the purpose of the Valuation. The P/E multiples of the comparable companies range from 8.02 to 42.87. The Valuer consider the comparable company with the P/E multiple of 42.87 to be outlier and was excluded in the Valuation. Excluding the aforementioned outlier, the P/E multiples of the comparable companies range from 8.02 to 26.90. The exclusion of such comparable company resulted in a lower median of the P/E multiples of the comparable companies, which is, in our view, prudent for the Company for the purpose of the Valuation. The median of the P/E multiples of the comparable companies (excluding the outlier) is 10.27. We have reviewed the calculations of the abovementioned median of the P/E multiples of the comparable companies and searched public information to calculate the P/E multiples of the comparable companies and verified the figures adopted by the Valuer. We noted that the median of the P/E multiples adopted by the Valuer is consistent with our calculation.

The Valuation was arrived at (i) multiplying the net profit attributable to shareholders of the Target Company for the trailing 12 months before the Valuation Date of RMB12,511,000 by the median of the P/E multiples of 10.27; and (ii) after adjustments in respect of lack of marketability discount of 30% and control premium of 15%.

A control premium is the premium an investor is willing to pay in addition to a marketable minority equity value to obtain controlling interest in a business subject. The published market price of each of the identified comparable companies was on a minority stake of the subject company, therefore adjustment has been made to reflect the degree of control associated with a 66.3111% equity interests in the Target Company. In the Valuation, the Valuer considered 15% was deemed to be sufficient to reflect the control premium of the equity interest in the Target Company which was made with reference to the FactSet Mergerstat/BVR Control Premium Study, an online resource that provides empirical support for quantifying control premiums and implied minority discounts.

The Valuer has also applied a discount for lack of marketability (the "**DLOM**") to account for the fact that the Target Company is a private company and therefore, the ownership interest in the Target Company is not readily marketable compared to similar interest in public companies. The Valuer estimated the DLOM of the equity interests in the Target Company by using the option-pricing method. Under the option-pricing method, the cost of put option, which can hedge the price change before the privately held share can be sold, was considered as the basis to determine the DLOM. In the valuation, the put price was estimated with Black-Scholes Model containing five inputs: asset price, strike price, volatility, term and risk-free rate. The asset price and strike price were set at a value equal to each other, because this was the value the investor would desire to protect. Setting the asset price and strike price in this manner would give the investor the right, at the maturity of the put option, to sell the asset at the price determined at the valuation date. The volatility of the asset was determined by observing the volatility of comparable publicly traded companies in the same industry. The term of the put-option is the estimated time to liquidate the interest. Lastly, the risk-free rate should correspond with the term of the put option. Using the above method, the Valuer considered a DLOM of 30% is deemed to be sufficient to reflect the lack of marketability of the equity interest in the Target Company.

Set out below is the calculation of the Valuation:

Net profit attributable to shareholders of the Target Company for the trailing 12 months before the Valuation Date	RMB12,511,000
times:	
— median of P/E multiples of Comparable Companies	10.27
— DLOM of 30%	70%
— Control Premium of 15%	115%
— 66.3111% equity interests in the Target Company	66.3111%
Valuation	RMB69,000,000 (rounded)

Having discussed the above market approach adopted by the Valuer and reviewed, among other things, the reasons for adopting such valuation methodology and the bases and assumptions use for the Valuation, we are of the opinion that the valuation methodology in determining the Valuation to be appropriate.

Taking into account the above, we consider the terms of the Share Purchase Agreement (including the Consideration, which represents a discount of approximately 1.4% to the Valuation of market value of 66.3111% of the equity interests in the Target Company as at the Valuation Date), are fair and reasonable.

6. Financial effects of the Proposed Acquisition on the Group

Upon Completion, the equity interests in the Target Company will be held by the Purchaser and Other Existing Shareholders as to approximately 66.31% and 33.69%, respectively. The Target Company will become an indirectly non-wholly owned subsidiary of the Company. Accordingly, the financial results, assets and liabilities of the Target Group will be consolidated into the Group's financial statements. It is expected that the Company will be able to record additional revenue stream from the Target Group upon Completion.

The details of the financial effect of the Proposed Acquisition on the financial position of the Group together with the bases and assumption taken into account in preparing the unaudited pro forma financial information of the Enlarged Group are set out in Appendix IV to the Circular for illustration purpose only.

6.1. Assets and liabilities

As extracted from the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, assuming the Completion had taken place on 30 June 2020, (i) the total assets of the Enlarged Group would be increased by approximately RMB191.9 million, or 87.7%, from approximately RMB218.7 million to RMB410.6 million; and (ii) the total liabilities of the Enlarged Group would be increased by approximately RMB172.6 million, or 196.2%, from approximately RMB88.0 million to RMB260.6 million. Accordingly, the net assets of the Enlarged Group would be increased by approximately RMB19.3 million, or 14.7%, from approximately RMB130.7 million to RMB150.0 million.

Based on the net asset value attributable to the owner of the Target Company of approximately RMB57.2 million as at 31 August 2020 and the Consideration of RMB68 million (equivalent to approximately HK$77,520,000), it is expected that the Enlarged Group would recognise goodwill of approximately RMB15.9 million and other intangible assets of approximately RMB23 million.

The actual impact on the assets and liabilities of the Enlarged Group will be subject to change as such amount will be calculated based on carrying values of assets and liabilities of the Target Group as of the date on which Completion takes place.

6.2. Earnings

The net profit and total comprehensive income attributable to owners of the Target Company amounted to around RMB15.7 million, RMB17.6 million and RMB13.9 million for FY2017, FY2018 and FY2019, respectively. It is expected that the Proposed Acquisition would have a positive earnings impact to the Enlarged Group.

6.3. Gearing

Both the Group and the Target Group have no interest-bearing borrowings as at the Latest Practicable Date. As such, it is expected that the gearing ratio of the Enlarged Group would not be affected upon Completion. As at 30 June 2020, the cash position of the Group was approximately RMB90.5 million.

In view of the factors as discussed above, particularly the financial effects of the Proposed Acquisition, the reasons for and benefits of the Proposed Acquisition and the terms of the Share Purchase Agreement, we consider that, though the Proposed Acquisition is not in the ordinary and usual course of business of the Company, terms of the Share Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Share Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

7. The 2020 Master Property Management Services Agreements

7.1. Principal terms of the 2020 FGH Master Property Management Services Agreement

Date:	Upon completion of the Proposed Acquisition
Parties:	(i) Fineland Group Holdings (for itself and on behalf of its subsidiaries and associates, as the receiving parties); and (ii) the Company (for itself and on behalf of its subsidiaries, as the service providers).
Condition precedent:	The 2020 FGH Master Property Management Services Agreement is conditional upon approval by the Independent Shareholders at the EGM of the 2020 FGH Master Property Management Services Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.
Nature of the transactions:	The Enlarged Group will continue to provide the Property Management Services to the members and associates of the Fineland Group.
Term:	Subject to the fulfilment of the condition precedent, the term of the 2020 FGH Master Property Management Services Agreement will commence from the Completion Date and ending on 31 December 2023 (both days inclusive), unless terminated at an earlier date pursuant to the 2020 FGH Master Property Management Services Agreement. Within 90 days of its expiry, the parties may agree to extend the 2020 FGH Master Property Management Services Agreement, subject to compliance with the then applicable Listing Rules. Either party may terminate the 2020 FGH Master Property Management Services Agreement during the term by giving one month prior notice.
Pricing:	The fees to be received by the Enlarged Group for services rendered under the 2020 FGH Master Property Management Services Agreement are to be determined on normal commercial terms, negotiated on an arm’s length basis, and should be no less favourable than those available from the Independent Third Parties.

Payment terms:	The payment terms for the Continuing Connected Transactions will be stipulated in the Implementation Agreements. The Continuing Connected Transactions will normally be settled by bank transfer on a monthly basis or on an agreed period basis.
Implementation Agreements:	Members of the Enlarged Group and members and associates of the Fineland Group will, from time to time during the term of the 2020 FGH Master Property Management Services Agreement, enter into separate Implementation Agreements in respect of the Property Management Services contemplated thereunder which shall always be in compliance with the Listing Rules and the 2020 FGH Master Property Management Services Agreement.

7.2. Principal terms of the 2020 FE Master Property Management Services Agreement

Date:	Upon completion of the Proposed Acquisition
Parties:	(i) Fineland Education (for itself and on behalf of its subsidiaries and associates, as the receiving parties); and (ii) the Company (for itself and on behalf of its subsidiaries, as the service providers).
Condition precedent:	The 2020 FE Master Property Management Services Agreement is conditional upon the approval by the Independent Shareholders at the EGM of the 2020 FE Master Property Management Services Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.
Nature of the transactions:	The Enlarged Group will continue to provide the Property Management Services to the members and associates of Fineland Education.
Term:	Subject to the fulfilment of the condition precedent, the term of the 2020 FE Master Property Management Services Agreement will commence from the Completion Date and ending on 31 December 2023 (both days inclusive), unless terminated at an earlier date pursuant to the 2020 FE Master Property Management Services Agreement.

	Within 90 days of its expiry, the parties may agree to extend the 2020 FE Master Property Management Services Agreement, subject to compliance with the then applicable Listing Rules. Either party may terminate the 2020 FE Master Property Management Services Agreement during the term by giving one month prior notice.
Pricing:	The fees to be received by the Enlarged Group for services rendered under the 2020 FE Master Property Management Services Agreement are to be determined on normal commercial terms, negotiated on an arm's length basis, and should be no less favourable than those available from the Independent Third Parties.
Payment terms:	The payment terms for the Continuing Connected Transactions will be stipulated in the Implementation Agreements. The Continuing Connected Transactions will normally be settled by bank transfer on a monthly basis or on an agreed period basis.
Implementation Agreements:	Members of the Enlarged Group and members and associates of the Fineland Education Group will, from time to time during the term of the 2020 FE Master Property Management Services Agreement, enter into separate Implementation Agreements in respect of the Property Management Services contemplated thereunder which shall always be in compliance with the Listing Rules and the 2020 FE Master Property Management Services Agreement.

7.3. Pricing policies

As a general principle, the pricing and terms of the 2020 Master Property Management Services Agreements with respect to the Property Management Services shall be determined on normal commercial terms, negotiated on an arm's length basis, and the fees shall be no less favourable than those available from the Independent Third Parties.

The pricing policy applicable is similar to that for similar services rendered to the Independent Third Parties, having regard to the following:

Types of services	Specific pricing policies
Sales office property management services:	(i) the service fee shall be determined according to the Enlarged Group's service cost (including but not limited to labour cost, specific skills or qualifications required by employees, environmental cleaning cost, material cost and miscellaneous expenses) plus management fee profit margin (generally ranging from 10% to 20%) and tax; and
	(ii) when determining the management fee profit margin, the Enlarged Group and the Fineland Group will consider a number of factors, including type of property, geographical location/region, contractual period, sales cycle, nature and complexity of related projects, customer's expectation of service quality, and past profit margin of similar existing contracts, etc., and also the fees received by the Enlarged Group for providing services of a similar scale and quality to the Independent Third Parties, taking into account not less than two transactions entered into with them. If there are insufficient comparable transactions, the Enlarged Group will make reference to the prevailing market prices for providing services for comparable properties in terms of scale, location, and quality, etc., offered by other real estate property management service providers.
Property management services before and after completion and delivery of the property:	(i) the service fee shall be determined according to the prevailing market price multiplied by the GFA of the relevant property management project. If the scope of service involves the management of parking spaces, it shall be determined according to the prevailing market price multiplied by the GFA of parking spaces or a fixed fee based on the number of parking spaces; and

(ii) when determining the prevailing market price, the Enlarged Group and the Fineland Group will consider a number of factors, including the type of property and its status, geographical location/region, scope and quality of services, general situation of owners and residents, pricing guidance on property management fees issued by the local authorities (if any), and pricing of property management service fee of surrounding properties, and also the fees received by the Enlarged Group for providing services of a similar scale and quality to the Independent Third Parties, taking into account not less than two transactions entered into with them. If there are insufficient comparable transactions, the Enlarged Group will make reference to the prevailing market prices for providing services for comparable properties in terms of scale, location, and quality, etc., offered by other real estate property management service providers.

Property management services to school(s):

(i) the service fee shall be determined according to the Enlarged Group's service cost (including but not limited to labour cost, specific skills or qualifications required by employees, environmental cleaning cost, material cost and miscellaneous expenses) plus management fee profit margin (generally ranging from 10% to 20%) and tax; and

(ii) when determining the management fee profit margin, the Enlarged Group and the Fineland Education Group will consider a number of factors, including type of property and its status, geographical location/region, contractual period, nature and complexity of related projects, customer's expectation of service quality, and past profit margin of similar existing contracts, etc., and also the fees received by the Enlarged Group for providing services of a similar scale and quality to the Independent Third Parties, taking into account not less than two transactions entered into with them. If there are insufficient comparable transactions, the Enlarged Group will make reference to the prevailing market prices for providing services for comparable properties in terms of scale, location, and quality, etc., offered by other real estate property management service providers.

Based on the above, the relevant quality control department of the Enlarged Group will also conduct market research and investigation from time to time to ensure that the above property management service fee is not lower than the prevailing market price. This may include reviewing the latest government guidance price (if any), minimum wage, social insurance and housing provident funding required for employees on the relevant government websites and researching on the management fee charged by other real estate property management service providers in the relevant locations. The internal control department of the Enlarged Group will examine and approve within its authority according to the approval procedures of the Enlarged Group, and ensure that the pricing terms agreed with each of the Fineland Group and the Fineland Education Group are no less favourable than the pricing or prevailing market terms of similar services provided by the Enlarged Group to the Independent Third Parties. For details of the Enlarged Group's internal control procedures for the 2020 Master Property Management Services Agreements, please refer to the paragraph under "7.6 Internal control measures" below.

We have reviewed and compared the terms of the contracts (including the payment terms, the fee and the scope of services) in respect of the property management services entered into between (i) the Target Group and the members and associates of the Fineland Group and Fineland Education and (ii) the Target Group and the Independent Third Parties. Set out below is the summary of our review.

Sales office property management services

We have reviewed five samples of (i) the contracts entered into between the Target Group and the members and associates of Fineland Group and (ii) the contracts entered into between the Target Group and the Independent Third Parties in 2018 or 2019, respectively. We have reviewed 10 contracts in total, which is considered to be a fair and representative sample given that the Target Group has only entered into 20 contracts with the members and associates of the Fineland Group regarding Property Management Services in respect of sales office for FY2018, FY2019 and the eight months ended 31 August 2020 and the sample contracts are randomly selected. Based on our review of such sample contracts, we noted that (i) for each sample, the service fee was determined according to the service cost plus management fee profit margin and tax; (ii) the management fee profit margin of the contracts entered into between the Target Group and the members and associates of the Fineland Group (a) fell within the range as stipulated under the pricing policy of the Target Group of 10% to 20% and (b) was equal to or higher than the management fee profit margin charged to the Independent Third Parties; (iii) the scopes of services of these samples were similar; and (iv) the payment terms offered to the members and associates of the Fineland Group were similar to those offered to the Independent Third Parties.

Property management services before and after completion and delivery of the property

We understood from the Management that the Target Group provides property management services in respect of both residential and non-residential properties and the service fees are determined in accordance with the factors as listed in the above table. The Management advised that the local authorities have issued pricing guidance regarding property management which stipulated the suggested service fee per sq. m. (and a floating range of certain percentage). The Target Group will make reference to such guidance for determination of the service fee chargeable to both members and associates of the Fineland Group and the Independent Third Parties. The Management advised that in general the Target Group charges its customers the suggested service fee as set out in the guidance. The Target Group adheres to the same pricing principle for determination of the service fee to both members and associates of the Fineland Group and the Independent Third Parties.

As regards the provision of Property Management Services in respect of residential properties, we have reviewed three samples of (i) the contracts entered into between the Target Group and the members and associates of Fineland Group and (ii) the contracts entered into between the Target Group and the Independent Third Parties in FY2018, FY2019 and FY2020, respectively. We have reviewed six contracts in total, which is considered to be a fair and representative sample given that the Target Group has only entered into 21 contracts with the members and associates of the Fineland Group regarding the provision of Property Management Services in respect of residential properties for FY2018, FY2019 and the eight months ended 31 August 2020 and the sample contracts are randomly selected. Based on our review, we noted that (i) for each sample, the service fee was calculated by multiplying the service fee per sq. m. as set out in each sample and the GFA of the relevant property management project, and if the scope of service involved the management of parking spaces, the service fee was charged on a fixed fee based on the number of parking spaces; (ii) except for two contracts entered into between the Target Group and the Independent Third Parties which charged service fee slightly higher and lower than the suggested service fee, respectively, the service fee per sq. m. of the other samples equal to the suggested service fee per sq. m. as set out in the guidance issued by the respective local authorities; (iii) the scopes of services as set out in these samples are similar; and (iv) the payment terms offered to the members and associates of the Fineland Group are similar to those offered to the Independent Third Parties. Given the Target Group has adhered to the same pricing principle in determining the service fee per sq. m. for provision of the property management services chargeable to both the Independent Third Parties and the members and associates of the Fineland Group, we consider that the service fee charged by the Target Group to the members and associates of the Fineland Group are no less favourable than those charged by the Target Group to the Independent Third Parties.

The Target Group is currently providing property management services in respect of (i) a commercial complex (which consists of offices, shops and a hotel) to members and associates of the Fineland Group and (ii) a commercial complex (which consists of offices and shops) to the Independent Third Party, respectively. The Management advised that the determination of the service fee per sq. m. was determined by the Target Group with reference to the pricing policy as summarised above. We have reviewed (i) the contracts entered into between the Target Group and members and associates of the Fineland Group in respect of the hotel and the commercial complex (excluding the hotel) in 2020 and 2009, respectively; and (ii) a contract entered into between the Target Group and the Independent Third Party in 2018 in respect of the commercial complex. All these contracts remained effective as at the Latest Practicable Date. We have reviewed all contracts regarding provision of property management services in respect of commercial complexes entered into by the Target Group which is considered to be sufficient and appropriate.

Based on our review, we noted that (i) the service fees in respect of the management services for offices and shops were calculated by multiplying the service fee per sq. m. as set out in the contracts and the GFA of the property; (ii) the service fee in respect of the management services for parking spaces was charged on a fixed fee based on the number of parking spaces; (iii) the service fee in respect of the management services for the hotel was a monthly fixed fee; (iv) the scope of services and payment terms as set out in the contracts in respect of the offices and shops between (a) the Target Group and the Fineland Group and (b) the Target Group and the Independent Third Party are similar; and (v) the service fee per sq.m. in respect of the offices and shops chargeable to the members and associates of the Fineland Group was slightly higher than that chargeable to the Independent Third Party.

We have also discussed with the Management regarding the fee chargeable to the Fineland Group for provision of Property Management Services in respect of the hotel. As advised by the Management, the monthly fixed service fee was determined by the Target Group based on the estimated cost of services plus profit margin and tax. We understood from the Management that the Target Group has not provided such services to the Independent Third Parties. The Management also advised that the operation of the hotel (i.e. the management of hotel rooms and other ancillary services) is not managed by Target Group and we noted from the contracts that the scope of Property Management Services provided by the Target Group in respect of the hotel is very similar to the scope of property management services provided by the Target Group in respect of the shops and offices. For comparison, we have calculated the profit margins of property management services (i) in respect of the hotel by dividing the aggregate service fee charged by the Target Group by the aggregate cost of services for the eight months ended 31 August 2020; and (ii) in respect of the shops and offices by dividing the aggregate service fee charged to the Independent Third Party in respect of the shops and offices by the aggregate cost of services for the eight months ended 31 August 2020. We noted that the profit margin in respect of the hotel is higher than the profit margin in respect of provision of property management services to the Independent Third Party in respect of the shops and offices.

In light of the above, we consider that the service fee in respect of non-residential property chargeable by the Target Group to the members and associates of the Fineland Group are no less favourable than those charged by the Target Group to the Independent Third Party.

Property management services to schools

We understood from the Management that the Target Group is currently providing Property Management Services in respect of two schools to members and associates of the Fineland Education Group and it has not provided such services to the Independent Third Parties. The Management advised that these two schools are located in the property projects of the Fineland Group in Guangzhou which are also currently under management of the Target Group. The two contracts in respect of the schools were entered into between the Target Group and members and associates of the Fineland Group in 2019 and 2020. We have reviewed all contracts regarding provision of Property Management Service in respect of schools entered into by the Target Group which is considered to be sufficient and appropriate. We have reviewed the aforementioned contracts and we understood from the Management that for each contract, the service fee was determined according to the service cost plus management fee profit margin ranging from 10% to 20% and tax.

As the Target Group has not provided any property management services in respect of schools to the Independent Third Parties, we are unable to compare the fee chargeable to the members and associates of the Fineland Group to that chargeable to the Independent Third Parties. We understood from the Management that they have conducted a market research by enquiring 49 schools in Guangzhou the service fee charged, and number of staffs deployed, by the other property management companies in 2020. Based on the information obtained from these schools, the Management then calculated the service fee generated by each staff of other property management companies and compared that to the service fee generated by each staff of the Target Group. We have obtained and reviewed such calculations and noted that the service fee generated by each staff of the Target Group is higher than that of the other property management companies.

In addition, we have enquired a PRC company which is an Independent Third Party principally engaged in provision of property management services in Guangzhou regarding the provision of property management services to schools. We understand from that Independent Third Party that (i) it is currently providing property management services to three schools in Guangzhou; (ii) the scope of services of property management services provided by that Independent Third Party to these schools are similar to those provided by the Target Group to Fineland Education Group; and (iii) the average service fee generated by each staff of that Independent Third Party is not higher than the average service fee generated by each staff of the Target Group. In light of the above, we consider that the service fee chargeable by the Target Group to the members and associates of the Fineland Group are no less favourable than those charged by the other independent property management companies.

In view of the above and having considered that (i) the terms of contracts entered into between the Target Group and members and associates of the Fineland Group or Fineland Education Group were similar to the terms of contracts entered into between the Target Group and the Independent Third Parties; (ii) the service fee charged to the members and associates of the Fineland Group or Fineland Education Group were comparable to or no less favorable than those charged by (a) the Target Group to the Independent Third Parties or (b) other independent property management companies; (iii) the payment terms offered to the members and associates of the Fineland Group or Fineland Education Group were comparable to or no less favorable than those charged and offered by the Target Group to the Independent Third Parties; (iv) the Target Group has adhered to the same pricing principle in determining the service fee chargeable to the Target Group and the Independent Third Parties; and (v) the internal control procedures in place to monitor the transactions under the 2020 Master Property Management Services Agreements as set out in "7.6 Internal control measures" below, we consider the terms of the 2020 Master Property Management Services Agreements are on normal commercial terms and fair and reasonable as far as the Company and the Independent Shareholders are concerned.

7.4. Reasons for and the benefits of the 2020 Master Property Management Services Agreements

The Property Management Services contemplated under the 2020 Master Property Management Services Agreements are of a recurrent nature and, subject to Completion having taken place, will occur on a regular and continuing basis in the ordinary and usual course of business of the Enlarged Group and the counterparties to the 2020 Master Property Management Services Agreements.

In line with the market practice and the Company's past practice, the Company considered it necessary for Listing Rules compliance purposes and administrative convenience to enter into a framework agreement with each of the holding companies of the relevant contract counterparties in order to better document and manage these continuing connected transactions. The 2020 Master Property Management Services Agreements serve to streamline the Property Management Services between members of the Enlarged Group and members and associates of the Fineland Group and the Fineland Education Group by providing a single basis upon which the Company could comply with the applicable reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules and thereby reducing the administrative burden and costs of the Company in complying with these requirements.

Members and associates of the Fineland Group and the Fineland Education Group are with respectable experience and reputation in their respective areas of businesses or services and solid financial standing and have demonstrated themselves as reliable customers of the Target Group over the years. The Directors believe that the maintenance of the strategic business relationships with them will not only allow the realisation of synergies and economies of scale but will also continue to bring sustainable contribution to the Enlarged Group's growth in the long run.

Having considered the principal business of the Target Group which is provision of the Property Management Services, we concur with the Directors' view that the entering into of the 2020 Master Property Management Services Agreements is in the ordinary and usual course of business of the Enlarged Group.

7.5. Proposed Annual Cap

7.5.1 Historical aggregate transaction amounts

The table below sets out the historical transaction amounts for fees received by the Target Group in respect of the Property Management Services for the respective periods below:

Categories	**Historical transaction amounts**			
	FY2017	**FY2018**	**FY2019**	**8M2020**
Property Management Services between the Target Group and the Fineland Group:				
— *Sales office property management services*	14,196	18,650	25,929	13,882
— *Property management services before and after completion and delivery of the property*	16,843	14,929	14,520	4,324
Total	31,039	33,579	40,499	18,206
Property Management Services between the Target Group and the Fineland Education Group	664	919	761	91

The historical transaction amounts for fees received by the Target Group from the Fineland Group in respect of the sales office property management services had dropped in the first half of 2020 as compared to the same period in 2019. This was mainly due to the outbreak of the novel coronavirus which had led to a slowdown in the volume of sales office property management services provided by the Target Group to the Fineland Group. With the stabilisation of the epidemic situation in the PRC, the Target Group's transaction amounts for fees received by the Target Group from the Fineland Group in respect of the sales office property management services for the period from 1 July 2020 to 31 October 2020 had recouped strongly and had demonstrated a trend of achieving a level which is close to that of the same period in 2019. Hence, it will be more relevant to refer to the historical transaction amounts for the year ended 31 December 2019 given the exceptional circumstances in 2020.

7.5.2. Assessment of the Proposed Annual Caps

The table below sets out the Proposed Annual Caps in respect of the 2020 Master Property Management Services Agreements for the respective periods below:

Categories	**Proposed Annual Caps**		
	For the period from the Completion Date to 31 December 2021	**For the year ending 31 December 2022**	**For the year ending 31 December 2023**
(RMB'000)	**("FY2021")**	**("FY2022")**	**("FY2023")**
2020 FGH Master Property Management Services Agreement			
— *Sales office property management services*	28,000	31,000	38,000
— *Property management services before and after completion and delivery of the property*	21,000	22,000	22,000
Total	49,000	53,000	60,000
2020 FE Master Property Management Services Agreement:			
— *Property management services to schools*	720	740	760

The Proposed Annual Caps in respect of the Property Management Services transactions contemplated under the 2020 Master Property Management Services Agreements are determined on the following bases:

(i) in relation to the 2020 FGH Master Property Management Services Agreement:

a. historical transaction amounts between the Target Group and the members and associates of the Fineland Group for the period from 1 January 2017 to 31 August 2020;

b. the estimated revenue to be recognised in relation to the Property Management Services for properties before and after their completion and delivery provided by the Target Group pursuant to existing contracts; and

c. for FY2021 and FY2022, the expected GFA of the sales offices and new property projects of the members and associates of the Fineland Group which will require the Property Management Services provided by the Enlarged Group, as well as:

(1) in relation to the sales office property management services, the estimated number of staff required and the management fee expected to be generated by those staff members based on four representative historical transactions between the Target Group and the Fineland Group; and

(2) in relation to the property management services before and after completion and delivery of the property, a service fee ratio calculated by dividing the aggregate management fee in respect of six representative property projects charged to the Fineland Group from 2017 to 2019 by the aggregate GFA of these six representative property projects delivered by the Fineland Group; and

d. for FY2023:

(1) in relation to the sales office property management services, an annual growth rate of 20%; and

(2) in relation to the property management services before and after completion and delivery of the property, an annual growth rate of 3% and 5% for non-residential and residential properties, respectively.

The annual growth rate has been adopted for FY2023 as the Fineland Group was still developing its sales plan for the same period as at the Latest Practicable Date. The Directors, having considered subparagraphs (a), (b) and (c) above, consider the above annual growth rates to be appropriate so as to cater for inflation, the expansion plan of the Fineland Group and provide flexibility to the Enlarged Group.

The above Proposed Annual Caps depend largely on the sales plan of the Fineland Group. An increase is expected in the sales amount of the properties to be developed and launched for sale by the Fineland Group for the three years ending 31 December 2023 primarily because the Fineland Group has successfully obtained more projects of larger scale in terms of the GFA to be sold, mainly in areas outside of Guangzhou in the Greater Bay Area. Since the beginning of 2018, the management of the Fineland Group has increased its efforts in procuring new projects in areas outside Guangzhou in the Greater Bay Area, which are perceived to have strong market potential alongside the expected accelerated economic growth. As many of these new projects to be launched for sale are larger in scale in terms of the GFA, the GFA to be sold is expected to increase steadily in 2021, 2022 and 2023. Historically, the Target Group had provided the Property Management Services to a significant portion of the sales office and properties developed by the Fineland Group; thus the

Directors consider these plans to be a major consideration and reliable factor in determining the Proposed Annual Caps. Taking into account the development and sales plan of the Fineland Group for the two years up to 2022 and the information partially available for 2023, the Directors believe that the demand for the Target Group's Property Management Services by the Fineland Group would increase from 2021 to 2023, and the transaction amounts under the 2020 FGH Master Property Management Services Agreement will in turn increase year-on-year during the corresponding years.

(ii) in relation to the 2020 FE Master Property Management Services Agreement:

a. historical transaction amounts between the Target Group and the Fineland Education Group for the period from 1 January 2017 to 31 August 2020;

b. the estimated revenue to be recognised in relation to the Property Management Services provided by the Target Group pursuant to existing contracts; and

c. the estimated number of schools of the members and associates of the Fineland Education Group which will remain to be two that require the Property Management Services to be provided by the Enlarged Group and the expected cost of managing such schools plus a management fee profit margin by reference to historical transactions between the Target Group and the members and associates of the Fineland Education Group; and

d. having considered sub-paragraphs (a), (b) and (c) above and the CAGR of approximately 7.1% during 2017 to 2019, an annual growth rate of 3% so as to cater for inflation and provide flexibility to the Enlarged Group.

In assessing the fairness and reasonableness of the Proposed Annual Caps for the continuing connected transactions contemplated under the 2020 Master Property Management Service Agreement, we have reviewed and discussed with the Management the bases for determining the Proposed Annual Caps.

Sales office property management services

The Proposed Annual Caps for the provision of sales office property management services (rounded to the nearest million) for FY2021 and FY2022 are determined based on (i) the timeline for setting up the sales offices and the estimated GFA of each property project in accordance with the sales plan of the Fineland Group for the two years ending 31 December 2022; and (ii) the ratios of (a) the estimated GFA managed by each staff and (b) the estimated service fee per staff to be discussed below. The Proposed Annual Cap for the provision of sales office property management services (rounded to the nearest million) for FY2023 is calculated by multiplying the Proposed Annual Cap for FY2022 by an annual growth rate of 20%.

In arriving at the Proposed Annual Caps, the Management has calculated the ratios of (i) the estimated GFA managed by each staff and (ii) the estimated service fee generated by each staff deployed by the Target Group with reference to four representative historical transactions between the Target Group and the members and associates of the Fineland Group in August 2019 and March 2020. The ratios of (i) the estimated GFA managed by each staff is obtained by dividing the aggregate GFA of the property projects by the aggregate number of staff deployed by the Target Group; and (ii) the estimated service fee generated by each staff is obtained by dividing the aggregate services fees (which included the management fee profit margin) charged to the members and associates of the Fineland Group in respect of the aforementioned four property projects by the aggregate number of staff deployed by the Target Group. We have obtained and reviewed (i) the aforesaid invoices and (ii) two invoices issued to the Independent Third Parties regarding the provision of sales office property management services by the Target Group in March 2020. We have calculated the aforesaid ratios based on (i) the four invoices issued to the members and associates of the Fineland Group and (ii) the two invoices issued to the Independent Third Parties. The ratios calculated by the Management and us based on the invoices issued to the members and associates of the Fineland Group are the same and the ratios calculated based on the invoices issued to the Independent Third Parties are very close to the ratios adopted by the Management in arriving at the Proposed Annual Caps. As such, we consider it is fair and reasonable to determine the Proposed Annual Caps based on the ratios of (i) the estimated GFA managed by each staff and (ii) the estimated service fee generated by each staff.

As advised by the Management, the Target Group generally deploys staff including supervisor, security guard, tea lady and janitor to the sales office and public areas of the property site based on the GFA of the property project. The estimated service fee for each property project is obtained (i) by dividing the estimated GFA of the property project by the ratio of estimated GFA managed by each staff; (ii) multiplying the result by the ratio of estimated service fee generated by each staff; and (iii) multiplying the result by the number of months which will require the provision of sales office property management services based on the sales plan of the Fineland Group. The Management advised that, if the GFA of the property project is above 500,000 sq.m., they will use 500,000 sq.m. for calculation of the estimated service fee.

We understood from the Management that the Fineland Group has prepared a detailed plan for the sales of property projects including the timeline for setting up the sales offices and sale of property projects for the two years ending 31 December 2022 based on, among other things, the development status of the property projects and the projects in pipelines. We noted that the sales amount of the properties to be developed and launched for sale by the Fineland Group is expected to be increased significantly in the two years ending 31 December 2022 as the Fineland Group has successfully obtained more projects of larger scale in terms of the GFA to be sold, mainly in areas outside Guangzhou in the Greater Bay Area. The Management advised that the Fineland Group has increased its efforts in procuring new projects in areas outside Guangzhou in the Greater Bay Area, which are perceived to have strong market potentials alongside the expected accelerated economic growth. As the forecasted sales amount prepared by the Fineland Group is one of the key elements in arriving at Proposed Annual Caps, we have compared the forecasted sales amount of the business plan of Fineland Group with the actual sales amount for the three years ended 31 December 2019 and we noted the mean of the actual sales amount over the forecasted sales amount for the three years ended 31 December 2019 is over 90%. As such, we consider it is fair and reasonable to determine the Proposed Annual Caps based on the sales plan provided by the Fineland Group.

We understood from the Management that the Fineland Group has yet to prepare the sales plan for FY2023 as the Fineland Group considers it is immature to prepare a full-blown sales plan at this stage. Given the Fineland Group has been aggressive in building up its landbank in the recent years, it is expected that there will be increases in number of sales offices to be set up by the Fineland Group as well as the service fees chargeable by the Target Group to the members and associates of the Fineland Group in the coming years.

We have also discussed with the Management regarding the fairness and reasonableness of applying an annual growth rate of 20% in arriving at the Proposed Annual Cap for the provision of the sales office property management services for FY2023. The Management advised that such growth rate is determined based on (i) the considerable growth in landbank of Fineland Group; and (ii) the increase in GFA under construction as provided by the Fineland Group in the recent years. Given the 2017–2019 CAGR of the service fees in respect of provision of sales office property management services charged to members and associates of the Fineland Group amounted to around 35.1%, we consider it is reasonable to apply an annual growth rate of 20% in arriving at the Proposed Annual Cap for FY2023 so as to accommodate the expansion plan of Fineland Group and to provide flexibility to the Target Group to provide sales office property management services to the members and associates of the Fineland Group.

Property management services before and after completion and delivery of the property

The Proposed Annual Caps for the provision of property management services before and after completion and delivery of the property (rounded to the nearest million) for FY2021 and FY2022 represent the sum of the following:

(i) the estimated revenue in relation to the provision of the Property Management Services in respect of both residential and non-residential properties to be recognised by the Target Group based on the existing contracts entered into between the Target Group and the members and associates of the Fineland Group; and

(ii) the forecasted management fee in respect of each residential property project which is calculated by multiplying (a) the estimated GFA to be delivered by the members and associates of the Fineland Group based on the schedule of the property projects and (b) a ratio (the "**Service Fee Ratio**") calculated by dividing (1) the aggregate management fee in respect of six representative property projects charged to the members and associates of the Fineland Group during 2017 to 2019 by (2) the aggregate GFA of six representative property projects delivered by the members and associates of the Fineland Group during 2017 to 2019.

The Proposed Annual Cap for the provision of property management services before and after completion and delivery of the property (rounded to the nearest million) for FY2023 represents the sum of (i) the product of multiplying the Proposed Annual Cap for FY2022 in respect of the residential properties by an annual growth rate of 5%; and (ii) the product of multiplying the Proposed Annual Cap for FY2022 in respect of the non-residential properties by an annual growth rate of 3%.

We understood from the Management that the Target Group has entered into 15 contracts with the members and associates of the Fineland Group in respect of provision of Property Management Services (before and after completion and delivery of the property) and such contracts shall remain effective during the three years ending 31 December 2023. The Management computed the estimated revenue by multiplying (i) the GFA of each property under management of the Target Group and (ii) the service fee per sq. m. as stipulated in the respective existing contract. The Management also advised that the Target Group is currently managing a commercial complex for the Fineland Group and it is expected that the Target Group will not enter into other contracts in respect of the non-residential properties in the three years ending 31 December 2023. In light of the above, we consider it is fair and reasonable to calculate the estimated revenue for the period commencing from the Completion Date to 31 December 2021 and FY2022 based on the existing contracts entered into by the Target Group.

The management advised that the Fineland Group has prepared a schedule which sets out the expected timeline of completion of construction of the property projects and delivery of properties to property owners by phases. We understood from the Management that the Target Group will manage the properties after the completion of the construction but before the delivery of the properties and the members and the associates of the Fineland Group shall be responsible for the management fee of the property project during such period. The Management advised that, in order to promote the sale of the properties, the Fineland Group also pay the management fee on behalf of the property owner after delivery of the property for a certain period. The Fineland Group will formulate and change its promotion plan based on the sales feedback of the property project on a case-by-case basis and thus it would be impracticable to formulate such plan and estimate the management fee which shall be payable by the members and associate of the Fineland Group for each property project as at the Latest Practicable Date. As an alternative, the Management used the Service Fee Ratio and forecasted the management fee based on the delivery schedule of each project. The Management considers, and we concur, the Service Fee Ratio demonstrates the relationship between the management fee payable by, and the GFA of property delivered by, the members and associates of the Fineland Group. We have discussed with the Management regarding the basis for selecting these six property projects for the calculation of the Service Fee Ratio. The Management advised that these six property projects were selected given only property units of these six projects were delivered over three years from 2017 to 2019. The Management advised it may not be appropriate to calculate such ratio based on the properties delivered in the years prior to 2017 as the market condition may have changed.

We have also discussed with the Management regarding the fairness and reasonableness of applying an annual growth rate of 3% and 5% in arriving at the Proposed Annual Cap for the provision of the Property Management Services for non-residential and residential properties for FY2023, respectively. The Management advised that growth rate in respect of the residential properties is determined based on the considerable growth in landbank of Fineland Group in the recent years as discussed above. Given the Fineland Group has been aggressive in building up its landbank in the recent years, it is expected that there will be increases in property projects to be launched for sale and delivered by the members and associates of the Fineland Group in the coming years. As such, it is expected that the management fee chargeable by the Target Group in respect of the provision of Property Management Services for the residential properties will also increase accordingly. As regards the growth rate of 3% in respect of the non-residential properties, the Management advised that the Target Group may provide additional services upon request of the Fineland Group and charge the Fineland Group additional service fees. Further, the Management advised that the Target Group may raise the service fee chargeable to the Fineland Group should there be any change in market conditions. We consider it is reasonable to apply respective annual growth rate of 3% and 5% in arriving at the Proposed Annual Cap in respect of non-residential and residential properties so as to (i) cater for inflation; (ii) accommodate the expansion plan of Fineland Group and the change in market condition and (ii) provide flexibility to the Target Group to provide of property management services before and after completion and delivery of the property to the members and associates of the Fineland Group. The Group has established internal control measures for reporting and monitoring on continuing connected transactions which will be complied by the Enlarged Group upon Completion to ensure the compliance with Chapter 14A of the Listing Rules.

Property management services to schools

The Proposed Annual Cap for the provision of Property Management Services (rounded to the nearest ten thousands) to schools for FY2021 is calculated by multiplying the estimated management fee in respect of provision of management services to school for FY2020 by a growth rate of 3%. The Proposed Annual Caps for the provision of the property management services to schools (rounded to the nearest ten thousands) for FY2022 and FY2023 are calculated by multiplying the Proposed Annual Cap for the previous financial year by a growth rate of 3%.

The Management advised that the Target Group is currently providing management services to two schools. The service fee is determined based on the service costs incurred by the Target Group plus management fee profit margin ranging from 10% to 20% and tax. The Management considers, and we concur, it is prudent to determine the Proposed Annual Cap for the period commencing from the Completion Date to 31 December 2021 based on the estimated management fee to be recognised by the Target Group for FY2020 as such fee represents the sum of (i) the actual management fee recognised by the Target Group for the eight months ended 31 August 2020 and (ii) the estimated management fee to be recognised by the Target Group for the remaining four months of 2020.

We have also discussed with the Management regarding the fairness and reasonableness for applying an annual growth rate of 3%. The management fee received by the Target Group in respect of schools increased from RMB670,000 to RMB920,000 during 2017 to 2019, representing a CAGR of around 7.1% and such increase was mainly due to the increase in staff costs. In light of the above, we consider it is reasonable to apply an annual growth rate of 3% so as to cater for inflation and provide flexibility to the Target Group to provide Property Management Services in respect of schools to the members and associates of the Fineland Education Group.

7.6. Internal control measures

The Group has established internal control measures for reporting and monitoring continuing connected transactions which will be complied by the Enlarged Group and will continue to follow upon Completion to ensure compliance with Chapter 14A of the Listing Rules.

According to the Group's prevailing internal policy and procedure manual, the designated officer of the operations department will report to the internal control department headed by Mr. Yi Ruofeng, an executive Director and the compliance officer of the Company, who has no interests in the transactions contemplated under the 2020 Master Property Management Services Agreements, with details of the possible notifiable or connected transactions to be entered into by the Group for review and disclosure or further action as required in compliance with Chapter 14A of the Listing Rules. The head of the relevant quality control departments of the Enlarged Group will also gather market data from time to time on the prevailing market price for each type of property management services for comparable properties and report to the internal control department. For a transaction that falls within the scope of Continuing Connected Transactions, the internal control department will monitor the current Continuing Connected Transaction amount and ensure that the transaction amounts of the potential connected transactions will not result in the Proposed Annual Caps being exceeded. The internal control department will also review, and the head of internal control department, Mr. Yi Ruofeng, will approve, the Implementation Agreements to ensure that its provisions are, in all material aspects, consistent with the principles, guidelines, relevant management fee profit margin, guidance price (if any), and other terms and conditions set out in the 2020 Master Property Management Services Agreements and that the fees charged to the Fineland Group and the Fineland Education Group are in accordance with the prevailing market prices of providing similar property management services to Independent Third Parties with reference to:

(i) the fees charged by the Enlarged Group to at least two Independent Third Parties for providing property management services for comparable properties in terms of scale, location, quality, etc. as stated under section headed "7.3 Pricing Policies" above; or

(ii) if there are not sufficient comparable transactions in (i) above, the normal commercial terms by reference to the prevailing market prices for providing property management services for comparable properties in terms of scale, location, quality, etc. as stated under the section headed "7.3 Pricing Policies" above, offered by other real estate property management service providers.

In order to ensure that the actual fees for the services provided to the Fineland Group and the Fineland Education Group are conducted on normal commercial terms (or terms no less favourable to the Enlarged Group than terms available to Independent Third Parties), the Enlarged Group will also adopt the following methods and procedures:

(i) the internal control department will keep proper documentation of the agreements entered into between the Enlarged Group and its customers and make reference to the market data gathered by relevant quality control departments of the Enlarged Group from time to time on the prevailing market price for each type of property management service for comparable properties in terms of scale, location, type of property and status, scope and quality, and nature and complexity of required services and use these as reference prices for determining whether the fees charged for a specific transaction is in accordance with the aforesaid pricing policy;

(ii) the internal audit department will carry out regular assessments of the Continuing Connected Transactions for each financial year and report its findings to the Board including the aggregate transaction amount for the respective year;

(iii) the independent non-executive Directors will, on an annual basis, review the transactions contemplated under the 2020 Master Property Management Services Agreements and confirm, among other matters, such transactions have been entered into according to the agreement governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole; and

(iv) the external auditors of the Group will, on an annual basis, report on the transactions contemplated under the 2020 Master Property Management Services Agreements and confirm, among other matters, whether anything has come to their attention that causes them to believe such transactions were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions.

Accordingly, the Directors consider that there will be an adequate internal control mechanism in place as abovementioned to ensure that the transactions contemplated under the 2020 Master Property Management Services Agreements will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

We have reviewed the internal policies and procedures manual governing the Target Group's transactions with members and associates of the Fineland Group and the Fineland Education Group and considered that the measures in place provide reasonable assurance that the conduct of the transactions contemplated under the 2020 Master Property Management Services Agreements would be governed by approval(s) from the internal control department and in compliance with the terms and conditions as stated in the 2020 Master Property Management Services Agreements.

In light of the above, we are of the view that appropriate measures are in place to ensure that the continuing connected transactions will be conducted on normal commercial terms and to safeguard the interests of the Independent Shareholders and the Company as a whole.

8. Duration of the Trademark Licensing Agreements

8.1. Principal terms of the Trademark Licensing Agreements

On 1 January 2020, certain members of the Target Group had entered into 14 trademark licensing agreements with Fineland Group Holdings. The principal terms of each of the Trademark Licensing Agreements are largely similar and are as follows:

Date:	1 January 2020
Parties:	(i) Certain members of the Target Group; and
	(ii) Fineland Group Holdings.

Nature of transaction:	Fineland Group Holdings granting certain members of the Target Group the license to use the trademarks owned by it on a non-exclusive basis.
Term:	From 1 January 2020 until the expiry of the trademarks.
Consideration:	Royalty-free
Termination:	Fineland Group Holdings may, at its discretion, elect to terminate the agreement if the counterparty fails to use the trademarks in accordance with Fineland Group Holdings' guidance.

It is expected that the above arrangements will continue after the completion of the Proposed Acquisition.

8.2. Reasons for and benefits of the Trademark Licensing Agreements

Since around 2007, the Target Group has been adopting some of the trademarks for its property management business and corporate promotions. As the trademarks have been widely adopted in the businesses and activities managed and operated by the Target Group and are generally known and recognised by the public, the trademarks have become an important means of promoting the Target Group's brand and image as well as a key icon in the Target Group's external promotion and marketing activities. The continual use of the trademarks will ensure the continuity of the brand and image of the Target Group, thereby ensuring that the services and businesses of the Target Group will be well recognised by the market. This will also be an important guarantee of the Target Group's competitiveness and efficiency.

In view of the above, certain members of the Target Group entered into the Trademark Licensing Agreements with Fineland Group Holdings to continue the use of the trademarks.

Given the trademarks support the operation of the business of the Target Group, we are of the view that the longer the duration of granting such trademarks by Fineland Group Holdings to certain members of the Target Group on a royalty-free basis, the better the terms are for the Company.

8.3. Assessment of the duration of the Trademark Licensing Agreements

In assessing the duration of the Trademark Licensing Agreements, we have conducted research on the website of the Stock Exchange to identify and review the announcement of a number of trademark licensing agreements entered into by companies listed on the Stock Exchange with a long duration (the "**Comparable Trademark Licensing Transactions**") in the three years preceding the Latest Practicable Date. We are of the view that the three-year review period provides a good indication of the recent terms agreed under the trade mark licensing agreements by companies listed on the Stock Exchange. Details of the Comparable Trademark Licensing Transactions are set out below:

Date of announcement	Parties	Duration of agreement	Type of transaction
20 December 2017	Renault SAS, as licensor, and Renault Brilliance Jinbei Automotive Company Limited* (華晨雷諾金杯汽車有限公司), which is owned as to 51% by Brilliance China Automotive Holdings Limited (華晨中國汽車控股有限公司*) (a company listed on the Main Board of the Stock Exchange (stock code: 1114)) and as to 49% by the licensor, as licensee	50 years	A right to use certain trademarks owned by licensor
18 April 2018	Subsidiaries of Trinity Limited, a company listed on the Main Board of the Stock Exchange (stock code: 891), as licensors, and Renown Incorporated, as licensee	Up to 28 February 2027	A right to use the brand names, marks, trademarks, logos and designs of "D'URBAN" which are owned by the licensors
3 May 2018	Fujitsu Limited, as licensor, and Fujitsu Client Computing Limited, a joint venture of Lenovo Group Limited (a company listed on the Main Board of the Stock Exchange (stock code: 3396)), as licensee	A period of 5 years	A non-transferable, non-sublicensable, non-exclusive and restricted license to use the licensor's certain trademarks

Date of announcement	Parties	Duration of agreement	Type of transaction
4 October 2018	Linglong (Hangzhou) Asset Management Co., Ltd, an indirect wholly-owned subsidiary of Hua Long Jin Kong Company Limited (a company listed on the Main Board of the Stock Exchange (stock code: 1682)), as licensor, and Hangzhou Huazhiying Investment Management Co., Ltd, as licensee	Effective upon execution and shall remain in effect as long as the licensee exists unless terminated by the parties to the agreement	A right to use the intellectual property of the licensor and its subsidiaries (if any), including but not limited to software licence and trademark licence
31 December 2018	AEON TopValu Co., Ltd., as licensor, and AEON Stores (Hong Kong) Co., Limited, a company listed on the Main Board of the Stock Exchange (stock code: 984), as licensee	A period of 3 years	To (i) grant members of the licensee to use the TopValu Trademarks and (ii) provide the ancillary services to the members of licensee
26 November 2019	Isuzu Motors Limited, as licensor, and Qingling Motors Co. Ltd, a company listed on the Main Board of the Stock Exchange (stock code: 1122), as licensee	Until Isuzu shall cease to manufacture the sample cab as defined under the agreement, or the expiry date of the term as prescribed under the relevant rules or regulations of the PRC	To grant the licensee the permission to use the trademarks and emblems of Isuzu, "ISUZU", by Isuzu for the production and sale of permitted vehicles as defined under the agreement

On the basis that (i) the relevant trademarks to be granted to the Target Group support the operations of the businesses of the Target Group and (ii) there have been a few announced Comparable Trademark Licensing Transactions with very long duration during the period under review, demonstrating such long duration is not uncommon in the market, we consider that it is reasonable for the Trademark Licensing Agreements to have a long duration and that it is normal business practice for agreements of the type of the Trademark Licensing Agreements to be of such duration.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that:

(i) though the Proposed Acquisition is not in the ordinary and usual course of business of the Company, terms of the Share Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Share Purchase Agreement is in the interests of the Company and the Shareholders as a whole;

(ii) the terms of the 2020 Master Property Management Services Agreements and the transactions contemplated thereunder (together with the Proposed Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, the continuing connected transactions under the 2020 Master Property Management Services Agreements are conducted in the ordinary and usual course of business of the Enlarged Group and the entering into of the 2020 Master Property Management Services Agreements is in the interests of the Company and the Shareholders as a whole; and

(iii) it is reasonable for the Trademark Licensing Agreements to have long duration and that it is normal business practice for agreements of the type of the Trademark Licensing Agreements to be of such duration.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in relation to the Share Purchase Agreement, the 2020 Master Property Management Services Agreements and the respective transactions contemplated thereunder and the Proposed Annual Caps.

Yours faithfully,
for and on behalf of
OPTIMA CAPITAL LIMITED
Ng Ka Po
Senior Director, Corporate Finance

Mr. Ng Ka Po is a licensed person and a responsible officer of Optima Capital Limited registered with the SFC to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of financial advisory and independent financial advisory services for various transactions involving companies listed in Hong Kong.

1. FINANCIAL SUMMARY

The audited consolidated financial statements, together with the accompanying notes to the financial statements, of the Group for the years ended 31 December 2017, 2018 and 2019 and the unaudited consolidated financial information, together with the accompanying notes to the financial statements, of the Group for the six months ended 30 June 2020 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.finelandassets.com):

(i) Annual report for the year ended 31 December 2017 (pages 42 to 87):
https://www1.hkexnews.hk/listedco/listconews/gem/2018/0328/gln20180328091.pdf

(ii) Annual report for the year ended 31 December 2018 (pages 45 to 99):
https://www1.hkexnews.hk/listedco/listconews/gem/2019/0328/gln20190328145.pdf

(iii) Annual report for the year ended 31 December 2019 (pages 46 to 97):
https://www1.hkexnews.hk/listedco/listconews/gem/2020/0327/2020032701789.pdf

(iv) Interim report for the six months ended 30 June 2020 (pages 4 to 16):
https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0903/2020090300731.pdf

2. STATEMENT OF INDEBTEDNESS

At the close of business on 31 October 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the indebtedness of the Enlarged Group comprised lease liabilities of RMB7.4 million.

As at 31 October 2020, the Enlarged Group had an unutilised bank loan facility of up to RMB20 million guaranteed by an entity controlled by a shareholder of the Target Company.

As at 31 October 2020, save as disclosed above, and apart from the intra-group liabilities and normal trade payables, the Directors were not aware of the Enlarged Group having any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other contingent liabilities.

3. SUFFICIENCY OF WORKING CAPITAL

The Directors, after due and careful enquiries, are of the opinion that following the completion of the Proposed Acquisition, after taking into account the financial resources available to the Enlarged Group, including the available credit facilities, the internally generated funds from operations, and cash and bank balances of the Enlarged Group, the Enlarged Group has sufficient working capital to satisfy its requirements for at least the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in this Circular and the interim report of the Group for the six months ended 30 June 2020, the Directors were not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. ACQUISITIONS AFTER THE DATE OF THE LATEST PUBLISHED AUDITED ACCOUNTS

Save for the transactions contemplated under the Share Purchase Agreement (details of which are disclosed in this circular), since 31 December 2019 (the date to which the latest published audited accounts of the Group have been made up), no member of the Group has acquired or agreed to acquire or is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditor's report or next published accounts of the Group.

The aggregate of the remuneration payable to and benefits in kind received by the Directors will not be varied in consequence of the Proposed Acquisition.

6. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Proposed Acquisition presents a great opportunity for the Group to diversify its revenue stream. On the one hand, the Enlarged Group will continue to provide property intermediary services through three main business segments, namely (i) real estate agency services in the primary and secondary property markets (including Online Referral Platform services); (ii) property research and consultancy services; and (iii) integrated services, with a focus mainly in Guangzhou and also elsewhere in the Greater Bay Area. On the other hand, the acquired business operations would allow the Enlarged Group to enter into the property management industry in the PRC and provide professional property management services and value-added services for residential and commercial properties mainly in the Greater Bay Area.

The Enlarged Group is committed to developing the Target Company into a leading modern integrated service provider in the property management industry in the PRC. Upon Completion, the Enlarged Group will seek to continue to expand its property management service portfolio, in particular, to provide property management services to properties such as serviced apartments, high-end villas, office buildings, business parks, schools and hospitals, where it will generally be able to charge higher property management fees than residential properties. By extending its services to various types of properties, the Enlarged Group's revenue streams can be diversified and its competitive strength as a diversified service provider can be reinforced. The Enlarged Group plans to expand its portfolio through strengthening business cooperation with independent property developers to expand its property portfolio and geographical coverage, so as to increase its market share in the real estate integrated service industry.

The Enlarged Group will leverage its expertise in both property agency services and property management services to create synergies by sharing customer base, market resources and operational and management experience, which will lead to a greater market recognition of the Company's brand and services, market coverage and new business opportunities for the Enlarged Group to enhance the breadth and depth of its services along the value chain of real estate agency and property management.

With the stabilisation of the epidemic situation in the PRC, 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 real estate industry is still an important cornerstone of economic growth and it is expected that relevant government policies will remain stable. In turn, this will likely benefit the Enlarged Group by reducing its financing costs. The Enlarged Group will endeavor to continue its cooperation with property developers and new potential business partners, strive to optimise its business flow, reserve sufficient resources to create strong synergies among different segments, and actively capture growth opportunities. It is expected that the Enlarged Group will continue to generate stable income, as it advances steadily towards the goal of becoming a leading real estate agency and property management services brand in the Greater Bay Area.

ACCOUNTANTS' REPORT OF THE TARGET GROUP

The following is the text of a report, received from the independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Circular.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF GUANGZHOU FINELAND E-LIFE SERVICE CO., LTD.

TO THE DIRECTORS OF FINELAND REAL ESTATE SERVICES GROUP LIMITED

Introduction

We report on the historical financial information of Guangzhou Fineland E-Life Service Co., Ltd. (the "Target Company") and its subsidiaries (together the "Target Group") set out on pages II-4 to II-70, which comprises the consolidated statements of financial position as at 31 December 2017, 2018 and 2019 and 31 August 2020 and the statements of financial position of the Target Company as at 31 December 2017, 2018 and 2019 and 31 August 2020, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-70 forms an integral part of this report, which has been prepared for inclusion in the circular of Fineland Real Estate Services Group Limited (the "Company") dated 3 December 2020 (the "Circular") in connection with the proposed acquisition of approximately 66.31% of the equity interests in the Target Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 3.1 to the Historical Financial Information respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ''Accountants' Reports on Historical Financial Information in Investment Circulars'' issued by the Hong Kong Institute of Certified Public Accountants (''HKICPA''). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 3.1 to the Historical Financial Information respectively in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's and the Target Group's financial position as at 31 December 2017, 2018 and 2019 and 31 August 2020 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of presentation and preparation set out in Notes 1.3 and 3.1 to the Historical Financial Information respectively.

Review of Stub Period Comparative Historical Financial Information

We have reviewed the stub period comparative historical financial information of the Target Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the eight months ended 31 August 2019 and other explanatory information (together the "Stub Period Comparative Historical Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 3.1 to the Historical Financial Information respectively. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 3.1 to the Historical Financial Information respectively.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

BDO Limited
Certified Public Accountants

Lam, Siu Fung Frank
Practising Certificate no.: P05308
Hong Kong, 3 December 2020

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by BDO Limited in accordance with Hong Kong Standards on Auditing (the ''HKSA'') issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA'') (the ''Underlying Financial Statements'').

The Historical Financial Information is presented in Renminbi (''RMB'') and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 December 2017 RMB'000	2018 RMB'000	2019 RMB'000	Eight months ended 31 August 2019 RMB'000 (Unaudited)	2020 RMB'000
Revenue	6	173,574	197,962	210,435	131,961	135,529
Cost of services		(124,355)	(135,871)	(152,379)	(95,042)	(102,454)
Gross profit		49,219	62,091	58,056	36,919	33,075
Selling expenses		(48)	(37)	(211)	(130)	(174)
Other income and other net (losses)/gains	7	1,324	2,316	6,899	3,888	8,959
Administrative expenses		(26,723)	(37,579)	(42,441)	(24,675)	(25,159)
Finance costs	8	(523)	(2,830)	(5,316)	(3,776)	(2,119)
Impairment losses of trade and other receivables and other assets		(791)	(1,522)	(1,678)	(3,075)	(1,712)
Profit before income tax	9	22,458	22,439	15,309	9,151	12,870
Income tax	10	(6,762)	(5,047)	(2,006)	(1,839)	(1,671)
Profit for the year/period		15,696	17,392	13,303	7,312	11,199
Profit and total comprehensive income for the year/period attributable to:						
Owners of the Target Company		15,696	17,615	13,888	7,061	11,026
Non-controlling interests		—	(223)	(585)	251	173
		15,696	17,392	13,303	7,312	11,199
Earnings per share (expressed in RMB cents per share)						
Basic and diluted earnings per share	12	34.88	39.14	30.86	15.69	24.50

Consolidated Statements of Financial Position

	Notes	As at 31 December 2017 RMB'000	2018 RMB'000	2019 RMB'000	As at 31 August 2020 RMB'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	*14*	3,685	2,824	2,067	1,725
Investment properties	*15*	—	104,881	99,518	—
Goodwill	*16*	144	144	144	144
Deferred tax assets	*25*	983	1,331	1,749	2,226
		4,812	109,180	103,478	4,095
Current assets					
Inventories	*17*	384	495	464	129
Trade receivables	*18*	31,121	44,095	59,216	66,852
Prepayments, deposits and other receivables	*19*	3,127	6,263	4,383	7,896
Amounts due from entities controlled by shareholders	*20*	3,065	16,259	20,097	21,345
Bank balances and cash	*21*	89,021	31,710	14,518	66,477
		126,718	98,822	98,678	162,699
Current liabilities					
Borrowings	*22*	15,000	34,100	8,200	—
Trade payables	*23*	9,307	9,526	16,453	19,759
Contract liabilities	*6(c)*	18,778	25,196	24,188	21,936
Accruals and other payables	*24*	67,553	81,337	85,196	65,503
Tax payable		4,382	3,635	2,158	1,880
		115,020	153,794	136,195	109,078

		As at 31 December			As at 31 August
	Notes	**2017**	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net current assets/(liabilities)		11,698	(54,972)	(37,517)	53,621
Total assets less current liabilities		16,510	54,208	65,961	57,716
Non-current liability					
Borrowings	*22*	—	63,930	56,030	—
Net assets/(liabilities)		16,510	(9,722)	9,931	57,716
Capital and reserves					
Share capital	*26*	45,000	45,000	45,000	45,000
Reserves	*27*	(28,490)	(54,799)	(34,935)	12,177
Equity attributable to owners of the Target Company		16,510	(9,799)	10,065	57,177
Non-controlling interests		—	77	(134)	539
Total equity/(capital deficit)		16,510	(9,722)	9,931	57,716

Statements of Financial Position of the Target Company

		As at 31 December			As at 31 August
	Notes	**2017**	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Non-current assets					
Investments in subsidiaries	*36*	3,000	3,510	3,800	4,840
Property, plant and equipment	*14*	3,177	2,414	1,822	1,534
Investment properties	*15*	—	104,881	99,518	—
Deferred tax assets	*25*	877	1,216	1,645	2,142
		7,054	112,021	106,785	8,516
Current assets					
Inventories		384	465	451	116
Trade receivables	*18*	28,603	42,015	56,172	64,239
Prepayments, deposits and other receivables	*19*	9,846	20,284	16,663	117,499
Amounts due from entities controlled by shareholders	*20*	1,265	16,439	20,203	16,728
Bank balances and cash	*21*	81,667	28,542	12,280	59,311
		121,765	107,745	105,769	257,893
Current liabilities					
Borrowings	*22*	15,000	34,100	8,200	—
Trade payables	*23*	8,321	8,524	15,278	17,264
Contract liabilities	*6(c)*	16,313	23,309	21,580	19,315
Accruals and other payables	*24*	78,056	106,537	117,848	186,943
Tax payable		3,053	2,508	1,508	1,663
		120,743	174,978	164,414	225,185

	Notes	As at 31 December 2017 RMB'000	As at 31 December 2018 RMB'000	As at 31 December 2019 RMB'000	As at 31 August 2020 RMB'000
Net current assets/(liabilities)		1,022	(67,233)	(58,645)	32,708
Total assets less current liabilities		8,076	44,788	48,140	41,224
Non-current liability					
Borrowings	*22*	—	63,930	56,030	—
Net assets/(liabilities)		8,076	(19,142)	(7,890)	41,224
Capital and reserves					
Share capital	*26*	45,000	45,000	45,000	45,000
Reserves	*27*	(36,924)	(64,142)	(52,890)	(3,776)
Total equity/(capital deficit)		8,076	(19,142)	(7,890)	41,224

Consolidated Statements of Changes in Equity

	Share capital	Capital reserve	Statutory reserve	Retained profits	Equity attributable to owners of the Target Company	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	39,000	(40,911)	1,318	1,945	1,352	—	1,352
Profit for the year	—	—	—	15,696	15,696	—	15,696
Issue of shares *(Note 26(a))*	6,000	5,280	—	—	11,280	—	11,280
Investment in Excluded Companies *(Note (a))*	—	(11,818)	—	—	(11,818)	—	(11,818)
Appropriation of statutory reserve	—	—	1,113	(1,113)	—	—	—
At 31 December 2017 and 1 January 2018	45,000	(47,449)	2,431	16,528	16,510	—	16,510
Profit/(loss) for the year	—	—	—	17,615	17,615	(223)	17,392
Capital injection by non-controlling interests	—	—	—	—	—	300	300
Investment in Excluded Companies *(Note (a))*	—	(34,924)	—	—	(34,924)	—	(34,924)
Appropriation of statutory reserve	—	—	8,190	(8,190)	—	—	—
Dividend declared *(Note 11)*	—	—	—	(9,000)	(9,000)	—	(9,000)
At 31 December 2018 and 1 January 2019	45,000	(82,373)	10,621	16,953	(9,799)	77	(9,722)
Profit/(loss) for the year	—	—	—	13,888	13,888	(585)	13,303
Acquisition of additional interests in a subsidiary *(Note 29)*	—	(374)	—	—	(374)	374	—
Disposal of Excluded Companies *(Note (a))*	—	6,350	—	—	6,350	—	6,350
Appropriation of statutory reserve	—	—	134	(134)	—	—	—

	Share capital *RMB'000*	Capital reserve *RMB'000*	Statutory reserve *RMB'000*	Retained profits *RMB'000*	Equity attributable to owners of the Target Company *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 31 December 2019 and 1 January 2020	45,000	(76,397)	10,755	30,707	10,065	(134)	9,931
Profit for the period	—	—	—	11,026	11,026	173	11,199
Disposal of Excluded Companies *(Note (a))*	—	67,586	—	—	67,586	—	67,586
Capital injection by non-controlling interests	—	—	—	—	—	500	500
Dividend declared *(Note 11)*	—	—	—	(31,500)	(31,500)	—	(31,500)
At 31 August 2020	45,000	(8,811)	10,755	10,233	57,177	539	57,716

Note:

(a) During the years ended 31 December 2017 and 2018, the capitals of RMB11,818,000 and RMB34,924,000 respectively were injected to certain Excluded Companies, which were not related to the Target Group. The Excluded Companies were separately managed by specific management teams and the books and records are managed by separate accounting teams, further details of which are set out in Notes 1.2 and 1.3.

During the year ended 31 December 2019 and the eight months ended 31 August 2019, certain Excluded Companies were disposed to a company controlled by Mr. Fong Ming, a director of the Target Company and the controlling shareholder, and independent third parties at consideration of RMB6,350,000 and RMB5,000,000 respectively.

During the eight months ended 31 August 2020, the remaining Excluded Companies were disposed to certain companies which are controlled by Mr. Fong Ming at total consideration of RMB67,586,000.

	Share capital *RMB'000*	Capital reserve *RMB'000*	Statutory reserve *RMB'000*	Retained profits *RMB'000*	Equity attributable to owners of the Target Company *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2019	45,000	(82,373)	10,621	16,953	(9,799)	77	(9,722)
Profit for the period	—	—	—	7,061	7,061	251	7,312
Disposal of Excluded Companies *(Note (a))*	—	5,000	—	—	5,000	—	5,000
At 31 August 2019 (Unaudited)	45,000	(77,373)	10,621	24,014	2,262	328	2,590

Consolidated Statements of Cash Flows

	Year ended 31 December			Eight months ended 31 August	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Cash flows from operating activities					
Profit before income tax	22,458	22,439	15,309	9,151	12,870
Adjustments for:					
Depreciation of property, plant and equipment	1,693	1,559	1,446	950	643
Depreciation of investment properties	—	2,365	5,363	3,570	3,070
Loss on disposal of property, plant and equipment	—	63	73	32	36
Gain on disposal of investment properties	—	—	—	—	(4,501)
Finance costs	523	2,830	5,316	3,776	2,119
Interest income	(253)	(327)	(53)	(37)	(16)
Impairment losses on trade and other receivables and other assets	791	1,522	1,678	3,075	1,712
Operating profit before working capital changes	25,212	30,451	29,132	20,517	15,933
(Increase)/decrease in inventories	(4)	(111)	31	86	335
Increase in trade receivables	(8,753)	(14,496)	(16,799)	(19,080)	(9,348)
(Increase)/decrease in prepayments, deposits and other receivables	(961)	(3,136)	1,880	462	(3,513)
Increase in trade payables	6,527	219	6,927	7,801	3,306
Increase/(decrease) in contract liabilities	4,328	6,418	(1,008)	(775)	(2,252)
Increase/(decrease) in accruals and other payables	3,915	13,784	3,859	(5,253)	(19,693)
(Increase)/decrease in amounts due from entities controlled by shareholders	(3,065)	(13,194)	(3,838)	335	(1,248)
Cash generated from/(used in) operations	27,199	19,935	20,184	4,093	(16,480)
Income tax paid	(7,077)	(6,142)	(3,901)	(2,434)	(2,426)
Net cash generated from/(used in) operating activities	20,122	13,793	16,283	1,659	(18,906)

	Year ended 31 December			Eight months ended 31 August	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Cash flows from investing activities					
Interest income received	253	327	53	37	16
Purchase of property, plant and equipment	(1,280)	(761)	(762)	(242)	(337)
Purchase of investment properties	—	(107,246)	—	—	—
Investment in Excluded Companies	(11,818)	(34,924)	—	—	—
Proceeds from disposal of Excluded Companies	—	—	6,350	5,000	67,586
Proceeds from disposal of investment properties	—	—	—	—	100,949
Net cash (used in)/generated from investing activities	(12,845)	(142,604)	5,641	4,795	168,214
Cash flows from financing activities					
Dividend paid	—	(9,000)	—	—	(31,500)
Capital injection by non-controlling interests	—	300	—	—	500
Interest paid on borrowings	(523)	(2,830)	(5,316)	(3,776)	(2,119)
Proceeds from borrowings	15,000	98,030	—	—	—
Repayment of borrowings	—	(15,000)	(33,800)	(21,744)	(64,230)
Proceeds from the issue of shares	11,280	—	—	—	—
Net cash generated from/(used in) financing activities	25,757	71,500	(39,116)	(25,520)	(97,349)
Net increase/(decrease) in cash and cash equivalents	33,034	(57,311)	(17,192)	(19,066)	51,959
Cash and cash equivalents at beginning of the year/period	55,987	89,021	31,710	31,710	14,518
Cash and cash equivalents at end of the year/period	89,021	31,710	14,518	12,644	66,477
Analysis of balances of cash and cash equivalents					
Bank balances and cash	89,021	31,710	14,518	12,644	66,477

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

Guangzhou Fineland E-Life Service Co., Ltd. (the ''Target Company'', formerly known as Guangzhou Fineland Property Management Co., Ltd.) was a limited liability company established in the People's Republic of China (the ''PRC'') on 8 November 1996. The address of the Target Company's registered office is Rooms 506–508, No.12–1 Keyun Road, Tianhe District, Guangzhou, Guangdong Province, the PRC. The Target Company's principal place of business is located at Rooms 506–508, No.12–1 Keyun Road, Tianhe District, Guangzhou, Guangdong Province, the PRC.

The Target Company and its subsidiaries (the ''Target Group'') are principally engaged in the provision of professional property management services and value-added services for residential and commercial properties in the PRC (the ''Relevant Business'').

The Target Company's immediate holding company is 廣州市樂冠投資有限公司 Guangzhou Leguan Investment Co., Ltd.*, a company with limited liability established in the PRC. The ultimate holding company is 廣東方圓投資有限公司 Guangdong Fineland Investment Limited*, a company with limited liability established in the PRC.

On 22 July 2015, the Target Company converted from a limited liability company into a joint stock company with limited liability.

On 23 November 2015, the Target Company's shares were listed on the National Equities Exchange and Quotations Co., Ltd. (the ''NEEQ'') in the PRC (stock code: 834381). Pursuant to the Target Company's announcement dated 11 April 2019, a unanimous decision had been reached by the Target Company's shareholders on 9 April 2019 to delist the Target Company from the NEEQ in consideration of the Target Company's business development and long-term strategic planning. On 5 August 2019, the Target Company's shares were delisted from the NEEQ.

1.2 Reorganisation

Prior to the completion of the group reorganisation, the Target Company owned the companies operating the Relevant Business (the ''Operating Companies'') and other investee companies principally engaged in businesses of parking operations, information technology and innovation and financial services (the ''Excluded Companies''). All the Operating Companies are ultimately controlled by Mr. Fong Ming.

* *The English translated names are for identification purpose only.*

Particulars of the Target Company's subsidiaries at the date of this report are as follows:

Name of subsidiary	Place and date of incorporation/ establishment and type of legal entity	Attributable equity interest of the Target Company At 31 December 2017	2018	2019	At 31 August 2020	At date of this report	Paid-in capital	Principal activities and place of operation
Guangzhou Fangyuan Commercial Property Management Co., Ltd. 廣州方圓商業物業管理有限公司 *(Note (c))*	The PRC 23 December 2011 Limited liability company	100%	100%	100%	100%	100%	RMB500,000	Provision of property management services in the PRC
Zhuhai Fangyuan Property Management Co., Ltd. 珠海市方圓物業管理有限公司 *(Note (c))*	The PRC 1 April 2008 Limited liability company	100%	100%	100%	100%	100%	RMB1,000,000	Provision of property management services in the PRC
Zhongshan Fangyuan Property Management Co., Ltd. 鍾山縣方圓物業管理有限公司 *(Note (c))*	The PRC 30 April 2019 Limited liability company	N/A	N/A	100%	100%	100%	RMB270,000 *(Note (l))*	Provision of property management services in the PRC
Guangzhou Quanyi Property Management Co., Ltd. 廣州全意物業管理有限公司 *(Note (c))*	The PRC 9 June 2009 Limited liability company	100%	100%	100%	100%	100%	RMB500,000	Provision of property management services in the PRC
Jiangmen Fangyuan Hengjun Property Service Co., Ltd. 江門方圓恒駿物業服務有限公司 *(Note (c))*	The PRC 13 June 2018 Limited liability company	N/A	51%	51%	51%	51%	RMB Nil *(Note (f))*	Provision of property management services in the PRC
Huaiji Fangyuan Property Service Co., Ltd. 懷集縣方圓物業服務有限公司 *(Note (c))*	The PRC 10 April 2018 Limited liability company	N/A	51%	100%	100%	100%	RMB810,000 *(Note (m))*	Provision of property management services in the PRC
Guangzhou Weiyao Business Service Co., Ltd. 廣州微耀商務服務有限公司 *(Note (c))*	The PRC 16 December 2008 Limited liability company	100%	100%	100%	100%	100%	RMB500,000	Provision of community value-added services in the PRC
Guangzhou Weixiang Business Service Co., Ltd. 廣州微享商務服務有限公司 *(Note (d))*	The PRC 29 July 2019 Limited liability company	N/A	N/A	100%	100%	100%	RMB Nil *(Note (g))*	Provision of community value-added services in the PRC
Guangzhou Weiyu Business Service Co., Ltd. 廣州微譽商務服務有限公司 *(Note (d))*	The PRC 25 July 2019 Limited liability company	N/A	N/A	100%	100%	100%	RMB70,000 *(Note (h))*	Provision of community value-added services in the PRC
Luoding Fangxian Property Service Co., Ltd. 羅定市方現物業服務有限公司 *(Note (c))*	The PRC 14 October 2019 Limited liability company	N/A	N/A	100%	100%	100%	RMB300,000 *(Note (n))*	Provision of property management services in the PRC

Name of subsidiary	Place and date of incorporation/ establishment and type of legal entity	Attributable equity interest of the Target Company At 31 December 2017	2018	2019	At 31 August 2020	At date of this report	Paid-in capital	Principal activities and place of operation
Yunan Fangxian Property Management Co., Ltd. 郁南縣方現物業管理有限公司 *(Note (c))*	The PRC 31 October 2019 Limited liability company	N/A	N/A	100%	100%	100%	RMB130,000 *(Note (o))*	Provision of property management services in the PRC
Guangzhou Fangyuan Huayue Property Service Management Co., Ltd. 廣州方圓華悅物業服務管理有限公司 *(Note (e))*	The PRC 4 March 2020 Limited liability company	N/A	N/A	N/A	50%	50%	RMB1,000,000	Provision of property management services in the PRC
Guangzhou Nansha Fangyuan Property Service Co., Ltd. 廣州南沙方圓物業服務有限公司 *(Note (c))*	The PRC 12 May 2020 Limited liability company	N/A	N/A	N/A	100%	100%	RMB70,000 *(Note (i))*	Provision of property management services in the PRC
Meizhou Fangxian Property Service Co., Ltd. 梅州市方現物業服務有限公司 *(Note (c))*	The PRC 16 June 2020 Limited liability company	N/A	N/A	N/A	100%	100%	RMB60,000 *(Note (j))*	Provision of property management services in the PRC
Zhuhai Fangyuan Modern Technology Investment Co., Ltd. 珠海方圓現代科技投資有限公司 *(Note (c))*	The PRC 21 October 2016 Limited liability company	100%	100%	100%	100%	100%	RMB1,000,000	Investment holding in the PRC
Guangzhou Nansha Fineland Pinju Property Service Co., Ltd. 廣州南沙方圓品居物業服務有限公司 *(Note (c))*	The PRC 10 October 2020 Limited liability company	N/A	N/A	N/A	N/A	65%	RMB Nil *(Note (k))*	Provision of property management services in the PRC
Guangzhou Nansha Fineland Leju Property Service Co., Ltd. 廣州南沙方圓樂居物業服務有限公司 *(Note (d))*	The PRC 26 October 2020 Limited liability company	N/A	N/A	N/A	N/A	100%	RMB Nil *(Note (p))*	Provision of property management services in the PRC
Wenchang Fangxian Property Service Co., Ltd. 文昌市方現物業服務有限公司 *(Note (c))*	The PRC 5 November 2020 Limited liability company	N/A	N/A	N/A	N/A	100%	RMB Nil *(Note (q))*	Provision of property management services in the PRC
Guangzhou Yishiguang Fineland Property Service Co., Ltd. 廣州壹時光方圓物業服務有限公司 *(Note (c))*	The PRC 12 November 2020 Limited liability company	N/A	N/A	N/A	N/A	100%	RMB Nil *(Note (r))*	Provision of property management services in the PRC

Notes:

(a) The English names of all subsidiaries established in the PRC are translated for identification purpose only.

(b) All companies comprising the Target Group have adopted 31 December as their financial year end date.

(c) The equity interests are directly held by the Target Company at the date of this report.

(d) The equity interests are indirectly held by the Target Company at the date of this report.

(e) Guangzhou Fangyuan Huayue Property Service Management Co., Ltd. ("Fangyuan Huayue") was accounted for as 50%-owned subsidiary of the Target Group, since the Target Group had majority voting right in the board of directors and obtained the effective control of voting power to govern the relevant activities of Fangyuan Huayue, and therefore Fangyuan Huayue is accounted for as the subsidiary of the Target Group.

(f) According to the articles of association of the subsidiary, the registered capital of the subsidiary is RMB2,000,000 of which RMB1,020,000 is to be contributed by the Target Group in 2 instalments of RMB510,000 before 30 June 2020 and 30 June 2040. There was no paid-in capital injected into the subsidiary as at 31 August 2020.

(g) According to the articles of association of the subsidiary, the registered capital of the subsidiary is RMB500,000 and to be contributed by the Target Group before 25 June 2024. There was no paid-in capital injected into the subsidiary as at 31 August 2020.

(h) According to the articles of association of the subsidiary, the registered capital of the subsidiary is RMB500,000 and to be contributed by the Target Group before 25 June 2024.

(i) According to the articles of association of the subsidiary, the registered capital of the subsidiary is RMB500,000 and to be contributed by the Target Group before 31 December 2025.

(j) According to the articles of association of the subsidiary, the registered capital of the subsidiary is RMB500,000 and to be contributed by the Target Group before 31 December 2025.

(k) According to the articles of association of the subsidiary, the registered capital of the subsidiary is RMB500,000 and to be contributed by the Target Group before 31 December 2021.

(l) According to the articles of association of the subsidiary, the registered capital of the subsidiary is RMB1,000,000 and to be contributed by the Target Group before 1 April 2049.

(m) According to the articles of association of the subsidiary, the registered capital of the subsidiary is RMB2,000,000 and to be contributed by the Target Group before 1 May 2023.

(n) According to the articles of association of the subsidiary, the registered capital of the subsidiary is RMB1,000,000 and to be contributed by the Target Group before 31 December 2039.

(o) According to the articles of association of the subsidiary, the registered capital of the subsidiary is RMB1,000,000 and to be contributed by the Target Group before 31 December 2039.

(p) According to the articles of association of the subsidiary, the registered capital of the subsidiary is RMB500,000 and to be contributed by the Target Group before 31 December 2021.

(q) According to the articles of association of the subsidiary, the registered capital of the subsidiary is RMB500,000 and to be contributed by the Target Group before 2 November 2025.

(r) According to the articles of association of the subsidiary, the registered capital of the subsidiary is RMB500,000 and to be contributed by the Target Group before 31 December 2025.

(s) The consolidated financial statements of Guangzhou Fineland E-Life Service Co., Ltd. for the three years ended 31 December 2017, 2018 and 2019 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the Enterprises in the PRC and were audited by BDO China Shu Lun Pan CPAs, certified public accountants registered in the PRC.

For the purpose of the Historical Financial Information of this report, the directors of the Target Company have prepared the Underlying Financial Statements in accordance with the basis of presentation and preparation and significant accounting policies set out in Notes 1.3, 3.1 and 3 respectively below which conform with Hong Kong Financial Reporting Standards (''HKFRSs'') issued by the HKICPA.

The Historical Financial Information has been prepared from the Underlying Financial Statements, with no adjustments made thereon.

1.3 Basis of presentation

The business of the Target Group has formed a part of the larger group of the Target Company and all of its subsidiaries (the ''Overall Group'') during the Relevant Periods. For the purpose of preparation of the Historical Financial Information of the Target Group, the assets and liabilities, and the results of the Target Company and the Operating Companies are consolidated and those of the Excluded Companies are excluded (i.e. a ''carve-out'' basis) as compared with the assets and liabilities, and the results of the Overall Group prepared on a consolidated basis.

The directors of the Company are of the view that it is more appropriate to present the Historical Financial Information of the Target Group during the Relevant Periods on the ''carve-out'' basis, rather than to present the financial information of the Overall Group prepared on a consolidated basis, due to the following reasons:

— The Excluded Companies that are being disposed of are carrying out businesses that are dissimilar to the remainder of the Target Group.

— There are clearly identifiable assets, liabilities, revenue and expenditures of the Target Group and of the Excluded Companies respectively.

— It is practicable to identify the historical financial information attributable to the Target Group's businesses given that the accounting books and records of the Target Group are maintained separately from the accounting books and records of the Excluded Companies.

— The Excluded Companies do not form part of the assets to be acquired under the proposed acquisition and hence its historical financial information is not relevant to the trading records of the businesses proposed to be acquired. The Company's directors believe that presenting the consolidated financial information of the Overall Group, which would include the results of the Excluded Companies that are not the subject of the proposed acquisition would provide irrelevant and potentially misleading financial information to the users of the Historical Financial Information.

No significant adjustments or allocations of expenses for adoption of the ''carve-out'' basis were made in the Historical Financial Information.

For the purpose of the proposed acquisition, the Historical Financial Information of the Target Group has been prepared and presented on the ''carve-out'' basis as if the Excluded Companies were excluded in preparing the Historical Financial Information throughout the Relevant Periods.

Intra-group balances and transactions are eliminated in full in preparing the Historical Financial Information of the Target Group.

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

2.1 New standards, interpretations and amendments not yet effective

As at the date of this report, the following new standards, interpretations and amendments have been issued, but not yet effective and have not been early adopted by the Target Group:

Amendments to HKFRS 16	COVID-19-Related Rent Concessions [1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [2]
Amendments to HKFRS Standards	Annual Improvements to HKFRSs 2018–2020 Cycle [3]
Amendments to HKFRS 3	Reference to the Conceptual Framework [3]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use [3]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract [3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current [4]
HKFRS 17	Insurance Contracts [4]

1 Effective for annual periods beginning on or after 1 June 2020.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2022.
4 Effective for annual periods beginning on or after 1 January 2023.

The directors do not anticipate that the application of the new or revised HKFRSs will have material impact on the Target Group's financial statements and/or the disclosures to the Target Group's financial performance and position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with the basis of presentation set out in Note 1.3 and the significant accounting policies set out below, which conform to HKFRSs which in collective term include HKFRSs, Hong Kong Accounting Standards (''HKASs'') and Interpretations issued by the HKICPA. The Historical Financial Information also includes the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ''Listing Rules'').

The HKICPA has issued a number of new or revised HKFRSs which are relevant to the Target Group and became effective during the Relevant Periods. For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Group has consistently applied the HKFRSs, that are effective for the financial years beginning from 1 January 2018, including HKFRS 15 ''Revenue from Contracts with Customers'' (''HKFRS 15'') and HKFRS 9 ''Financial Instruments'' (HKFRS 9''), together with the relevant transitional provisions, throughout the Relevant Periods, except that the Target Group adopted HKFRS 16 ''Leases'' (''HKFRS 16''), together with the relevant transitional provisions, on 1 January 2019 and adopted HKAS 17 ''Leases'' (''HKAS 17'') prior to 1 January 2019. The Target Group considers that the adoption of HKFRS 16 does not have any significant impact on the financial position and performance of the Target Group compared to the requirements of HKAS 17.

The impact of the adoption of HKFRS 16 which has been applied from 1 January 2019 is described below.

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

The Target Group has applied HKFRS 16 using the cumulative effect approach. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The comparative information has not been restated based on the specific transitional provisions in HKFRS 16 and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16. The Target Group considered that the impact of transition to HKFRS 16 on statement of financial position as of 31 December 2018 to that of 1 January 2019 was not significant.

(i) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

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

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

(ii) Accounting as a lessee

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

Under HKFRS 16, all leases (irrespective of whether they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Target Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

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

Right-of-use asset

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

Lease liability

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

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iii) Transition

As mentioned above, the Target Group has applied HKFRS 16 using the cumulative effect approach. The comparative information has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16. The Target Group has considered that the adoption of HKFRS 16 did not have significant impact on the consolidated financial statements at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17.

The Target Group has elected to recognise the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases under HKAS 17. The Target Group measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019 and measured the associated right-of-use assets at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised in the consolidated statement of financial position as at 31 December 2018. The Target Group has applied the transition practical expedient to apply the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases. In addition, the Target Group has applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Target Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4; and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

There was no material impact on the consolidated statement of comprehensive income and the consolidated statement of cash flows.

The Target Group had net current liabilities and net liabilities of approximately RMB54,972,000 and RMB9,722,000 as at 31 December 2018 respectively and net current liabilities of approximately RMB37,517,000 as at 31 December 2019. Included therein, the Target Group recorded contract liabilities of RMB25,196,000 and RMB24,188,000 as at 31 December 2018 and 2019 respectively, which represented the performance obligations the Target Group promises to deliver in the foreseeable future with insignificant expected future cash outflow. As at 31 December 2018 and 2019, the Target Group had investment properties with net carrying amount of approximately RMB104,881,000 and RMB99,518,000 respectively that were pledged as security for its borrowings. The fair value of investment properties as disclosed in Note 15 significantly exceeded the carrying amount of borrowings as at 31 December 2018 and 2019 respectively.

The directors of the Target Company are of the opinion that the Target Group will have sufficient working capital to meet its liabilities as they fall due in the next twelve months from the end of the reporting periods as the directors have carried out a detailed review of the cash flow forecast of the Target Group, and consider that the Target Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 August 2020.

Based on the above, the directors of the Target Company are of the opinion that the Target Group is able to continue as a going concern.

Should the Target Group be unable to continue to operate as a going concern, adjustments would have been made to write down the carrying amounts of assets to their net realisable amounts and to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the Historical Financial Information.

3.2 Basis of measurement

The Historical Financial Information has been prepared on the historical cost and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in the preparation of the Historical Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and other factors, actual results may ultimately differ from those estimates and assumptions. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

3.3 Functional and presentation currency

The Historical Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Target Company and its subsidiaries.

3.4 Business combination and basis of consolidation

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

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

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Target Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Target Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

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

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

The Target Group treats transactions with non-controlling interests that do not result in a loss of control as equity transactions with owners of the Target Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in capital reserve within equity attributable to owners of the Target Group.

3.5 Subsidiaries

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

De-facto control exists in situations where the Target Company has the practical abilities to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Target Company considers all relevant facts and circumstances, including:

The size of the Target Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;

Substantive potential voting rights held by the Target Company and other parties who hold voting rights;

Other contractual arrangements; and historic patterns in voting attendance.

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

3.6 Goodwill

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

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

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

3.7 Property, plant and equipment

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

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

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

The principal annual rates are as follows:

Furniture, fixtures and equipment	3–5 years
Motor vehicles	3–10 years
Computer equipment and software	3–5 years
Leasehold improvements	shorter of the unexpired lease terms and their useful lives

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

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

Right-of-use assets included the rights to use certain properties under leases which are measured at cost. The initial costs of right-of use assets include the following:

— the amount of the initial measurement of lease liability

— any lease payments made at or before the commencement date

— any initial direct costs, and

— restoration costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

3.8 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost is calculated using the weighted average method/first-in first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.9 Investment properties

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives of 20 years and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3.10 Financial instruments

(i) Financial assets

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

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

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

Debt instruments

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

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

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

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

(ii) Impairment loss on financial assets

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

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

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

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

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

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

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

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

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

(iii) Financial liabilities

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

Financial liabilities at FVTPL

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

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

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

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

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

Financial liabilities at amortised cost

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

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

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Derecognition

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

Definition of default

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

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

Credit-impaired financial assets

At each reporting date, the Target Group assesses on a forward-looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

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

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

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

3.11 Cash and cash equivalents

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

3.12 Revenue recognition

The Target Group provides professional property management services, value-added services and community value-added services. Revenue from providing services is recognised in the accounting period in which the services are rendered.

(i) Property management services

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

(ii) Value-added services

Value-added services mainly include cleaning, security, greening and maintenance services to property developers at the pre-delivery stage. The Target Group issues the monthly bill to the customers based on actual level of services provided at a pre-determined price when such services are rendered in that month.

(iii) Community value-added services

Community value-added services mainly include resident services, community public areas management and operation. Revenue is recognised when the related services are rendered. Payment of the transaction is due immediately when the value-added services are rendered to the customers.

Revenue from sales of goods is recognised when the Target Group has delivered the goods to the purchaser and the collectability of related consideration is reasonably assured.

When either party to a contract has performed, the Target Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the Target Group's performance and the customer's payment.

A contract asset is the Target Group's right to consideration in exchange for services that the Target Group has transferred to a customer. Incremental costs incurred to obtain a contact, if recoverable, are capitalised and presented as assets and subsequently amortised when the related revenue is recognised.

If a customer pays consideration or the Target Group has a right to an amount of consideration that is unconditional, before the Target Group transfers services to the customer, the Target Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Target Group's obligation to transfer services to a customer for which the Target Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Target Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Principal versus agent

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

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

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

(iv) Rental income

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the period covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payment receivables.

(v) Interest income

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

3.13 Leases

Before application of HKFRS 16 on 1 January 2019

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

The Target Group as lessee

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

Upon application of HKFRS 16 on 1 January 2019

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

Right-of-use asset

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

Lease liability

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

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

Subsequent to the commencement date, the Target Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

3.14 Translation of foreign currency

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

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

3.15 Taxation

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

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

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

3.16 Employee benefits

(i) Short-term employee benefits

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

(ii) Defined contribution retirement plan

Pursuant to the relevant regulations of the PRC government, the Target Group participates in a central pension scheme operated by the local municipal government (the ''Scheme''), whereby the group entity in the PRC is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiary of the Target Company. The only obligation of the Target Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

(ii) Termination benefits

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

3.17 Impairment of non-financial assets

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

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

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

3.18 Government grants

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

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

3.19 Segment reporting

The Target Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the directors of the Target Company for their decisions about resources allocation to the Target Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the directors are determined following the Target Group's major product lines.

For the purposes of assessing segment performance and allocating resources between segments, the directors assess segment profit or loss by gross profit or loss as measured in the financial statements.

For the purpose of presenting geographical location of the Target Group's revenue from external customers and the Target Group's non-current assets, country of domicile is determined by reference to the country where the Target Company's subsidiaries operate.

3.20 Provisions and contingent liabilities

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

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

3.21 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use of sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

3.22 Related parties

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

- (i) has control or joint control over the Target Group;
- (ii) has significant influence over the Target Group; or
- (iii) is a member of key management personnel of the Target Group or the Target Company's parent.

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

- (i) The entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Target Group or an entity related to the Target Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the Target Company's parent.

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Impairment of trade and other receivables

The impairment of trade and other receivables are based on assumptions about risk of default and expected credit loss rates. The Target Group adopts judgement in making these assumption and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, existing market conditions including forward looking estimates at end of reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and impairment losses in the periods in which such estimate has been changed.

(ii) Income taxes and deferred tax

Significant judgement is required on the interpretation of tax laws and legislations during the estimation of the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Target Group recognised liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome is different from the amounts that were initially recorded, such differences would impact the income tax and deferred income tax provisions, where applicable, in the period in which such determination is made.

Deferred tax assets are recognised for all unused tax losses and unabsorbed depreciation allowances to the extent that it is probable that future taxable profits would be available against which the losses and other deductible temporary differences could be utilised. Significant management judgement is required to determine the amount of deferred tax assets that could be recognised, based on the likely timing and extent of future taxable profits together with future tax planning strategies.

(iii) Impairment of non-financial assets

If circumstances indicate that the carrying amounts of property, plant and equipment, investment properties and goodwill may not be recoverable, the assets may be considered impaired and are tested for impairment. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. In determining the recoverable amount which requires significant judgements, the Target Group estimates the future cash flows to be derived from continuing use and ultimate disposal of the asset and applies an appropriate discount rate to these future cash flows.

5. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the directors of the Target Company.

During the Relevant Periods, the Target Group is principally engaged in the provision of professional property management services and value-added services for residential and commercial properties in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the chief operating decision maker of the Target Group regards that there is only one segment which is used to make strategic decisions.

As the Target Group is domiciled in the PRC from where all of its revenue were derived during the Relevant Periods and in where all of the non-current assets were located as at 31 December 2017, 2018 and 2019 and 31 August 2020, geographical segment information is not considered necessary.

6. REVENUE

Revenue mainly comprises proceeds from property management services, value-added services and community value-added services. An analysis of the Target Group's revenue by category for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2019 and 2020 was as follows:

	Revenue from customer and recognised	Year ended 31 December			Eight months ended 31 August	
		2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Property management services	over time	116,570	133,019	137,427	86,331	97,163
Value-added services	over time	28,966	38,095	40,871	29,046	22,458
Community value-added services						
Other value-added services	over time	26,894	25,155	31,207	16,003	15,430
Sales of goods	at a point in time	1,144	1,693	930	581	478
		173,574	197,962	210,435	131,961	135,529

For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2019 and 2020, revenue from Fineland Group Holdings Company Limited (formerly known as Fineland Real Estate Holdings Company Limited) and its subsidiaries (collectively the "Fineland Group") contributed 20.4%, 17.2%, 20.0%, 18.2% and 13.7% of the Target Group's revenue respectively. The Fineland Group is also controlled by Mr. Fong Ming. Other than the Fineland Group, the Target Group has a large number of customers, none of whom contributed 10% or more of the Target Group's revenue during the Relevant Periods.

(a) Unsatisfied performance obligations

For property management services, the Target Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts. The majority of the property management service contracts do not have a fixed term.

For value-added services, they are rendered in short period of time, which is generally less than a year, and the Target Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contract.

(b) Assets recognised from incremental costs to obtain a contract

During the Relevant Periods, there was no significant incremental costs to obtain a contract.

(c) Details of contract liabilities

The Target Group and the Target Company have recognised the following revenue-related contract liabilities:

Target Group

	As at 31 December			As at 31 August
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	18,778	25,196	24,188	21,936

Target Company

	As at 31 December			As at 31 August
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	16,313	23,309	21,580	19,315

(i) Significant changes in contract liabilities

Contract liabilities of the Target Group and the Target Company mainly arise from the advance payments made by customers while the underlying services are yet to be provided. Such liabilities increased as at 31 December 2018 as a result of the growth of the business for the year ended 31 December 2018. Decrease in contract liabilities as at 31 December 2019 and 31 August 2020 was primarily due to less advance payments made by the property owners as compared to that of prior year.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period carried-forward contract liabilities.

Target Group

	As at 31 December			As at 31 August
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year/period				
Property management services	14,417	18,084	24,192	23,019
Community value-added services	33	694	1,004	1,169
	14,450	18,778	25,196	24,188

Target Company

	As at 31 December			As at 31 August
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year/period				
Property management services	13,503	16,313	23,309	21,580

7. OTHER INCOME AND OTHER NET (LOSSES)/GAINS

	Year ended 31 December			Eight months ended 31 August	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Loss on disposal of property, plant and equipment	—	(63)	(73)	(32)	(36)
Gain on disposal of investment properties	—	—	—	—	4,501
Government grants *(Note (a))*	1,080	—	—	—	—
Interest income	253	327	53	37	16
Penalty income	6	81	16	4	—
Rental income	—	1,675	6,272	3,887	3,082
Others	(15)	296	631	(8)	1,396
	1,324	2,316	6,899	3,888	8,959

Note:

(a) During the year ended 31 December 2017, the government grant of RMB1,000,000 was granted to reward the Target Company for its listing on the NEEQ in 2015. The remaining government grants of RMB80,000 represented rewards received from local government as an incentive for business development. There were no unfulfilled conditions attaching to these government grants.

8. FINANCE COSTS

	Year ended 31 December			Eight months ended 31 August	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest expense on bank borrowings	523	2,830	5,316	3,776	2,119

9. PROFIT BEFORE INCOME TAX

This is arrived at after charging the following:

	Year ended 31 December			Eight months ended 31 August	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Auditor's remuneration	694	930	553	553	448
Depreciation of property, plant and equipment	1,693	1,559	1,446	950	643
Depreciation of investment properties	—	2,365	5,363	3,570	3,070
Operating lease charges in respect of rented premises	1,578	1,916	—	—	—
Short-term leases expenses	—	—	2,019	839	958
Employee benefit expenses: (including directors' emoluments *(Note 13)*)					
Salaries, allowances and other benefits	77,595	63,152	80,310	41,988	42,860
Contributions to retirement benefits scheme	7,394	7,217	8,151	7,746	5,344
	84,989	70,369	88,461	49,734	48,204

10. INCOME TAX

	Year ended 31 December			Eight months ended 31 August	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax for the current year/ period	6,960	5,395	2,424	2,608	2,148
Deferred tax *(Note 25)*					
Credited to profit or loss for the year/ period	(198)	(348)	(418)	(769)	(477)
	6,762	5,047	2,006	1,839	1,671

No Hong Kong profits tax has been provided as the Target Group had no assessable profits arising in Hong Kong during the Relevant Periods.

Under the PRC Enterprise Income Tax Law (the "EIT Law"), the Target Group's PRC entities are subject to income tax at a rate of 25%, during the Relevant Periods, except that certain subsidiaries are qualified as small enterprises and micro businesses and enjoy a preferential income tax rate of 5% for the year ended 31 December 2019 and the eight months ended 31 August 2020.

The income tax for the years/periods can be reconciled to the profit before income tax per the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Eight months ended 31 August	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before income tax	22,458	22,439	15,309	9,151	12,870
Tax calculated at PRC EIT rate of 25%	5,615	5,610	3,827	2,288	3,218
Tax effect of revenue not taxable for tax purposes	(14)	(918)	(165)	(19)	(882)
Tax effect of expenses not deductible for tax purposes	1,157	114	53	81	368
Tax effect of different tax rates of subsidiaries with low profits	—	—	(1,918)	(719)	(1,364)
Tax effect of tax losses not recognised	4	241	209	208	331
Income tax for the year/period	6,762	5,047	2,006	1,839	1,671

11. DIVIDENDS

During the year ended 31 December 2018, dividend of RMB9,000,000 was declared and paid by the Target Company to owners of the Target Company.

During the eight months ended 31 August 2020, dividend of RMB31,500,000 was declared and paid by the Target Company to owners of the Target Company.

12. EARNINGS PER SHARE

Basic earnings per share amount is calculated by dividing the profit attributable to owners of the Target Company by the weighted average number of shares during the Relevant Periods.

The Target Company did not have any potential shares outstanding during the Relevant Periods. Diluted earnings per share amount is equal to basic earnings per share amount.

	Year ended 31 December			Eight months ended 31 August	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit attributable to owners of the Target Company *(RMB'000)*	15,696	17,615	13,888	7,061	11,026
Weighted average number of shares *(in thousands)*	45,000	45,000	45,000	45,000	45,000

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Details of directors' emoluments during the Relevant Periods are as follows:

	Directors' fees	Salaries and bonus	Contributions to retirement benefits scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2017				
Directors				
Mr. Zhou Song	—	369	—	369
Mr. Zhou Yu	—	647	—	647
Mr. Fong Ming	—	—	—	—
Mr. Chen Xi	—	204	—	204
Mr. Xu Jun	—	—	—	—
	—	1,220	—	1,220

	Directors' fees	Salaries and bonus	Contributions to retirement benefits scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2018				
Directors				
Mr. Zhou Song	—	—	—	—
Mr. Zhou Yu	—	1,164	23	1,187
Mr. Fong Ming	—	—	—	—
Mr. Chen Xi	—	—	—	—
Mr. Xu Jun	—	—	—	—
	—	1,164	23	1,187

	Directors' fees	Salaries and bonus	Contributions to retirement benefits scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2019				
Directors				
Mr. Zhou Song	—	—	—	—
Mr. Zhou Yu	—	1,692	23	1,715
Mr. Fong Ming	—	—	—	—
Mr. Chen Xi	—	—	—	—
Mr. Xu Jun	—	—	—	—
	—	1,692	23	1,715

	Directors' fees	Salaries and bonus	Contributions to retirement benefits scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Eight months ended 31 August 2019 (Unaudited)				
Directors				
Mr. Zhou Song	—	—	—	—
Mr. Zhou Yu	—	894	16	910
Mr. Fong Ming	—	—	—	—
Mr. Chen Xi	—	—	—	—
Mr. Xu Jun	—	—	—	—
	—	894	16	910

	Directors' fees	Salaries and bonus	Contributions to retirement benefits scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Eight months ended 31 August 2020				
Directors				
Mr. Zhou Song	—	—	—	—
Mr. Zhou Yu	—	—	—	—
Mr. Fong Ming	—	—	—	—
Mr. Wang Andong	—	546	11	557
Mr. Chen Xi	—	—	—	—
Mr. Xu Jun	—	—	—	—
Mr. Han Shuguang	—	—	—	—
Mr. Huang Wenbo	—	—	—	—
Mr. Lin Tingfang	—	—	—	—
	—	546	11	557

Notes:

(i) No directors received any emoluments from the Target Group as an inducement to join or upon joining the Target Group or as compensation for loss of office during the Relevant Periods. No director waived or agreed to waive any emoluments during the Relevant Periods.

(ii) Mr. Zhou Yu, Mr. Chen Xi and Mr. Xu Jun resigned as directors of the Target Company on 16 January 2020.

(iii) Mr. Wang Andong, Mr. Han Shuguang and Mr. Huang Wenbo were appointed as directors of the Target Company on 16 January 2020.

(iv) Mr. Zhou Song resigned as a director of the Target Company on 3 August 2020.

(v) Mr. Lin Tingfang was appointed as a director of the Target Company on 3 August 2020.

(b) The five highest paid individuals

The five highest paid individuals of the Target Group during the Relevant Periods are analysed as follows:

	Year ended 31 December			Eight months ended 31 August	
	2017	**2018**	**2019**	**2019**	**2020**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* (Unaudited)	*Number of individuals*
Directors	1	1	1	1	1
Non-director highest paid individuals	4	4	4	4	4
	5	5	5	5	5

Details of the emoluments of the above non-director individuals during the Relevant Periods are as follows:

	Year ended 31 December			Eight months ended 31 August	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries and bonus	1,256	1,543	1,753	1,753	1,213
Contributions to retirement benefits scheme	49	56	62	41	42
	1,305	1,599	1,815	1,794	1,255

The number of the highest paid non-director individuals fell within the following emoluments band:

	Year ended 31 December			Eight months ended 31 August	
	2017	**2018**	**2019**	**2019**	**2020**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* (Unaudited)	*Number of individuals*
Nil to HK$1,000,000	4	4	4	4	4

14. PROPERTY, PLANT AND EQUIPMENT

Target Group

	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Computer equipment and software *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
COST					
At 1 January 2017	706	1,000	7,087	1,135	9,928
Acquired through acquisition of a subsidiary *(Note 28)*	—	—	6	—	6
Additions	232	112	579	357	1,280
Disposals	—	—	(29)	—	(29)
At 31 December 2017 and 1 January 2018	938	1,112	7,643	1,492	11,185
Additions	81	36	446	198	761
Disposals	(36)	(43)	(162)	—	(241)
At 31 December 2018 and 1 January 2019	983	1,105	7,927	1,690	11,705
Additions	68	14	453	227	762
Disposals	(40)	(4)	(380)	(31)	(455)
At 31 December 2019 and 1 January 2020	1,011	1,115	8,000	1,886	12,012
Additions	19	20	179	119	337
Disposals	(6)	—	(143)	—	(149)
At 31 August 2020	1,024	1,135	8,036	2,005	12,200
ACCUMULATED DEPRECIATION					
At 1 January 2017	437	756	4,457	185	5,835
Depreciation for the year	69	110	1,205	309	1,693
Eliminated on disposals	—	—	(28)	—	(28)
At 31 December 2017 and 1 January 2018	506	866	5,634	494	7,500
Depreciation for the year	95	103	965	396	1,559
Eliminated on disposals	(34)	(40)	(104)	—	(178)
At 31 December 2018 and 1 January 2019	567	929	6,495	890	8,881
Depreciation for the year	101	52	862	431	1,446
Eliminated on disposals	(18)	(2)	(334)	(28)	(382)
At 31 December 2019 and 1 January 2020	650	979	7,023	1,293	9,945
Depreciation for the period	69	28	340	206	643
Eliminated on disposals	(4)	—	(109)	—	(113)
At 31 August 2020	715	1,007	7,254	1,499	10,475
CARRYING AMOUNT					
At 31 December 2017	432	246	2,009	998	3,685
At 31 December 2018	416	176	1,432	800	2,824
At 31 December 2019	361	136	977	593	2,067
At 31 August 2020	309	128	782	506	1,725

Target Company

	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Computer equipment and software *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
COST					
At 1 January 2017	465	997	6,914	1,135	9,511
Additions	96	102	537	—	735
Disposals	—	—	(29)	—	(29)
At 31 December 2017 and 1 January 2018	561	1,099	7,422	1,135	10,217
Additions	61	36	358	198	653
Disposals	(36)	(40)	(162)	—	(238)
At 31 December 2018 and 1 January 2019	586	1,095	7,618	1,333	10,632
Additions	68	14	345	227	654
Disposals	(5)	(4)	(286)	(31)	(326)
At 31 December 2019 and 1 January 2020	649	1,105	7,677	1,529	10,960
Additions	10	20	156	119	305
Disposals	(6)	—	(143)	—	(149)
At 31 August 2020	653	1,125	7,690	1,648	11,116
ACCUMULATED DEPRECIATION					
At 1 January 2017	289	755	4,300	185	5,529
Depreciation for the year	39	109	1,166	225	1,539
Eliminated on disposals	—	—	(28)	—	(28)
At 31 December 2017 and 1 January 2018	328	864	5,438	410	7,040
Depreciation for the year	55	100	930	269	1,354
Eliminated on disposals	(34)	(38)	(104)	—	(176)
At 31 December 2018 and 1 January 2019	349	926	6,264	679	8,218
Depreciation for the year	64	52	793	305	1,214
Eliminated on disposals	(5)	(2)	(259)	(28)	(294)
At 31 December 2019 and 1 January 2020	408	976	6,798	956	9,138
Depreciation for the period	50	26	295	185	556
Eliminated on disposals	(3)	—	(109)	—	(112)
At 31 August 2020	455	1,002	6,984	1,141	9,582
CARRYING AMOUNT					
At 31 December 2017	233	235	1,984	725	3,177
At 31 December 2018	237	169	1,354	654	2,414
At 31 December 2019	241	129	879	573	1,822
At 31 August 2020	198	123	706	507	1,534

15. INVESTMENT PROPERTIES

Target Group and Target Company

	Investment properties *RMB'000*
COST	
At 1 January 2018	—
Additions	107,246
At 31 December 2018, 1 January 2019, 31 December 2019 and 1 January 2020	107,246
Disposals	(107,246)
At 31 August 2020	—
ACCUMULATED DEPRECIATION	
At 1 January 2018	—
Depreciation for the year	2,365
At 31 December 2018 and 1 January 2019	2,365
Depreciation for the year	5,363
At 31 December 2019 and 1 January 2020	7,728
Depreciation for the period	3,070
Eliminated on disposals	(10,798)
At 31 August 2020	—
CARRYING AMOUNT	
At 31 December 2018	104,881
At 31 December 2019	99,518
At 31 August 2020	—

The Target Group's investment properties are located on land in the PRC with medium lease term.

As at 31 December 2018 and 2019, the Target Group had pledged all investment properties as security for the Target Group's borrowings (Note 22).

Fair values of the investment properties as at 31 December 2017, 2018 and 2019 and 31 August 2020 are as follows:

	As at 31 December			As at 31 August
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investment properties in the PRC	—	205,453	195,726	—

The fair value of the Target Group's investment properties as at 31 December 2018 was determined by valuations conducted by 廣東中廣信資產評估有限公司, an independent firm of professionally qualified valuers. Under the valuation models, market-based approach was adopted for investment properties.

The fair value estimation was at level 3 of fair value hierarchy.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

For the years ended 31 December 2018 and 2019, there were no transfers into or out of level 3 or any other level.

The direct operating expenses arising from investment properties that generated rental income amount to RMBnil, RMB2,650,000, RMB5,377,000, RMB3,304,000 and RMB2,850,000 for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2019 and 2020 respectively.

16. GOODWILL

Target Group

	As at 31 December			As at 31 August
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	—	144	144	144
Arising from acquisition of a subsidiary *(Note 28)*	144	—	—	—
At end of the year/period	144	144	144	144

Goodwill arose from the acquisition of Guangzhou Quanyi Property Management Co., Ltd. ("Guangzhou Quanyi") (Note 28) during the year ended 31 December 2017, which had been allocated to the property management business operated by Guangzhou Quanyi as the CGU.

The recoverable amount of such CGU to which the goodwill relates, at each reporting date has been determined based on a value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period for the reporting dates as at 31 December 2017, 2018 and 2019 and 31 August 2020 respectively. Cash flows beyond the projection period are extrapolated using as estimated growth rate of 3%, 3%, 3% and 3% for the reporting dates as at 31 December 2017, 2018 and 2019 and 31 August 2020 respectively. The pre-tax rate using to discount the forecast cash flow is 14%, 14%, 14% and 14% for the reporting dates as at 31 December 2017, 2018 and 2019 and 31 August 2020 respectively. Based on the assessment, no impairment loss was recognised during the Relevant Periods.

17. INVENTORIES

Target Group

	As at 31 December			As at 31 August
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Consumables goods	384	495	464	129

18. TRADE RECEIVABLES

Target Group

	As at 31 December			As at 31 August
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Related parties*	11,480	26,232	42,035	41,037
Third parties	23,242	22,702	23,780	33,977
	34,722	48,934	65,815	75,014
Less: Allowance for impairment of trade receivables	(3,601)	(4,839)	(6,599)	(8,162)
	31,121	44,095	59,216	66,852

* Related parties are entities over which Mr. Fong Ming, a director of the Target Company, has beneficiary interests.

Target Company

	As at 31 December			As at 31 August
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Related parties*	10,494	25,253	40,511	45,038
Third parties	21,370	21,346	21,887	27,128
	31,864	46,599	62,398	72,166
Less: Allowance for impairment of trade receivables	(3,261)	(4,584)	(6,226)	(7,927)
	28,603	42,015	56,172	64,239

* Related parties are entities over which Mr. Fong Ming, a director of the Target Company, has beneficiary interests.

As at 31 December 2017, 2018 and 2019 and 31 August 2020, the trade receivables were denominated in RMB, and the fair value of trade receivables approximated its carrying amounts.

Trade receivables mainly arise from property management services income under lump sum basis.

Property management services income under lump sum basis is received in accordance with the term of the relevant property service agreements. Service income from property management services is due for payment by the property owners upon the issuance of demand note.

As at 31 December 2017, 2018 and 2019 and 31 August 2020, the ageing analysis of the trade receivables based on invoice date were as follows:

Target Group

	As at 31 December			As at 31 August
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	26,420	41,391	46,815	52,451
1 to 2 years	5,547	3,990	15,049	11,600
Over 2 years	2,755	3,553	3,951	10,963
	34,722	48,934	65,815	75,014

Target Company

	As at 31 December			As at 31 August
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	24,094	39,434	43,782	49,700
1 to 2 years	5,428	3,786	14,926	11,503
Over 2 years	2,342	3,379	3,690	10,963
	31,864	46,599	62,398	72,166

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Target Group

	As at 31 December			As at 31 August
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits and other receivables				
Related parties*	—	—	24	—
Third parties	3,449	6,336	4,562	7,211
	3,449	6,336	4,586	7,211
Less: Allowance for impairment of other receivables	(333)	(485)	(399)	(547)
	3,116	5,851	4,187	6,664
Prepayments	11	412	196	1,232
	3,127	6,263	4,383	7,896

* Related parties are entities over which Mr. Fong Ming, a director of the Target Company, has beneficiary interests. The balances due from related parties are unsecured, interest-free and repayable on demand.

Target Company

	As at 31 December			As at 31 August
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits and other receivables				
Related parties*	7,001	14,655	12,861	111,238
Third parties	3,090	5,501	3,970	5,734
	10,091	20,156	16,831	116,972
Less: Allowance for impairment of other receivables	(248)	(281)	(355)	(445)
	9,843	19,875	16,476	116,527
Prepayments	3	409	187	972
	9,846	20,284	16,663	117,499

* Related parties are entities over which Mr. Fong Ming, a director of the Target Company, has beneficiary interests. The balances due from related parties are unsecured, interest-free and repayable on demand.

20. AMOUNTS DUE FROM ENTITIES CONTROLLED BY SHAREHOLDERS

Target Group and Target Company

The amounts due are unsecured, interest-free and repayable on demand.

21. BANK BALANCES AND CASH

Target Group and Target Company

Cash in hand and cash at banks are denominated in RMB placed in the PRC. RMB is not freely convertible to other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for foreign currencies only through banks that are authorised to conduct foreign exchange business.

22. BORROWINGS

Target Group and Target Company

	As at 31 December			As at 31 August
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans (secured)	15,000	98,030	64,230	—
Less: Amount showed under current liabilities	(15,000)	(34,100)	(8,200)	—
Amount showed under non-current liabilities	—	63,930	56,030	—
Effective interest rates per annum in range of: — Fixed rate borrowings	5.56% to 6.09%	5.64% to 6.96%	5.64%	N/A

As at 31 December 2017, 2018 and 2019 and 31 August 2020, the borrowings were repayable as follows:

	As at 31 December			As at 31 August
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	15,000	34,100	8,200	—
Between 1 and 2 years	—	8,200	8,200	—
Between 2 and 5 years	—	32,800	32,800	—
Over 5 years	—	22,930	15,030	—
Total	15,000	98,030	64,230	—

Notes:

(i) As at 31 December 2018 and 2019, investment properties (Note 15) were pledged to secure the loan facilities granted to the Target Group.

(ii) The bank loans were secured by corporate guarantees executed by a related company of the Target Group during the years ended 31 December 2017, 2018 and 2019.

23. TRADE PAYABLES

Target Group

	As at 31 December			As at 31 August
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Related parties*	10	—	1,259	—
Third parties	9,297	9,526	15,194	19,759
	9,307	9,526	16,453	19,759

* Related parties are entities over which Mr. Fong Ming, a director of the Target Company, has beneficiary interests.

Target Company

	As at 31 December			As at 31 August
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Related parties*	10	183	1,368	2,936
Third parties	8,311	8,341	13,910	14,328
	8,321	8,524	15,278	17,264

* Related parties are entities over which Mr. Fong Ming, a director of the Target Company, has beneficiary interests.

Based on the receipt of services and goods, which normally coincided with the invoice dates, the aging analysis of trade payables as at the end of each of the Relevant Periods is as follows:

Target Group

	As at 31 December			As at 31 August
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	8,545	8,470	15,938	18,895
1 to 2 years	59	888	25	364
Over 2 years	703	168	490	500
	9,307	9,526	16,453	19,759

Target Company

	As at 31 December			As at 31 August
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	8,117	8,019	15,168	16,973
1 to 2 years	56	351	9	182
Over 2 years	148	154	101	109
	8,321	8,524	15,278	17,264

24. ACCRUALS AND OTHER PAYABLES

Target Group

	As at 31 December			As at 31 August
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued payroll and other benefits	34,409	30,663	28,389	17,441
Accruals and other payables				
— Related parties*	3,732	2,255	29,056	32
— Third parties	29,412	48,419	27,751	48,030
	67,553	81,337	85,196	65,503

* Related parties are entities over which Mr. Fong Ming, a director of the Target Company, has beneficiary interests. The balances due to related parties are unsecured, interest-free and repayable on demand.

Target Company

	As at 31 December			As at 31 August
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued payroll and other benefits	31,954	28,225	29,338	17,041
Accruals and other payables				
— Related parties*	19,843	36,820	65,363	124,721
— Third parties	26,259	41,492	23,147	45,181
	78,056	106,537	117,848	186,943

* Related parties are entities over which Mr. Fong Ming, a director of the Target Company, has beneficiary interests. The balances due to related parties are unsecured, interest-free and repayable on demand.

25. DEFERRED TAX

Target Group

Details of the deferred tax assets recognised and movements during the Relevant Periods are as follows:

Deferred tax assets

	Impairment loss on trade and other receivables *RMB'000*
At 1 January 2017	785
Credited to profit or loss for the year *(Note 10)*	198
At 31 December 2017 and 1 January 2018	983
Credited to profit or loss for the year *(Note 10)*	348
At 31 December 2018 and 1 January 2019	1,331
Credited to profit or loss for the year *(Note 10)*	418
At 31 December 2019 and 1 January 2020	1,749
Credited to profit or loss for the period *(Note 10)*	477
At 31 August 2020	2,226

Deferred tax assets not recognised

	As at 31 December			**As at 31 August**
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unutilised tax losses — PRC	16	980	1,816	3,140

The Target Group has not recognised deferred tax assets in respect of its cumulative tax losses as it is not probable that future taxable profits against which the unused tax losses can be utilised.

Pursuant to the relevant laws and regulations in the PRC, The unrecognised tax losses at the end of the reporting period will expire in the following years:

	As at 31 December			**As at 31 August**
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2022	16	16	16	16
2023	—	964	964	964
2024	—	—	836	836
2025	—	—	—	1,324
	16	980	1,816	3,140

Target Company

Details of the deferred tax assets recognised and movements during the Relevant Periods are as follows:

Deferred tax assets

	Impairment loss on trade and other receivables *RMB'000*
At 1 January 2017	785
Credited to profit or loss for the year	92
At 31 December 2017 and 1 January 2018	877
Credited to profit or loss for the year	339
At 31 December 2018 and 1 January 2019	1,216
Credited to profit or loss for the year	429
At 31 December 2019 and 1 January 2020	1,645
Credited to profit or loss for the period	497
At 31 August 2020	2,142

26. SHARE CAPITAL

	Number of shares	**Share capital** *RMB'000*
Authorised		
At 31 December 2017, 2018 and 2019 and 31 August 2020	45,000,000	45,000
Issued and fully paid		
At 1 January 2017	39,000,000	39,000
Issue of shares for listing on the NEEQ *(Note (a))*	6,000,000	6,000
At 31 December 2017, 2018 and 2019 and 31 August 2020	45,000,000	45,000

Note:

(a) On 23 November 2015, the Target Company's shares were listed on the NEEQ. In 2017, the Target Company issued 6,000,000 shares at a par value of RMB1 each at an issue price of RMB1.88 each. Accordingly, RMB6,000,000 and RMB5,280,000 were recorded as share capital and capital reserve (Note 27) respectively.

27. RESERVES

Target Group

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

Capital reserve

The capital reserve includes the followings:

(a) Pursuant to the shareholders' resolution of the Target Company dated 30 June 2015 the Target Company was converted from a limited liability company into a joint stock limited liability company. By reference to the net assets value of the Target Company as at 30 April 2015 of RMB30,071,000, the Target Company converted 30,000,000 shares at a par value of RMB1 each to its shareholders. The excess of net asset value over the share capital of the Target Company amounting to RMB71,000 was recognised as capital reserve during the year ended 31 December 2015.

(b) The excess of the proceeds received over the nominal value of the shares of the Target Company issued at a premium amounting to RMB5,280,000 (Note 26(a)).

(c) A debit balance of RMB374,000 represented the difference between the consideration paid in acquisition of additional interests in a subsidiary from the non-controlling interests and the carrying amount of the non-controlling interests in the subsidiary during the year ended 31 December 2019.

(d) The remaining balance at 31 December 2017, 2018 and 2019 and 31 August 2020 mainly represented the cumulative differences between investments in and disposal of the Excluded Companies.

Statutory reserve

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

Target Company

	Capital reserve *RMB'000*	Statutory reserve *RMB'000*	Retained profits/ (accumulated losses) *RMB'000*	Total *RMB'000*
At 1 January 2017	(36,327)	1,318	2,858	(32,151)
Loss for the year	—	—	(7,315)	(7,315)
Issue of shares	5,280	—	—	5,280
Investment in Excluded Companies	(2,738)	—	—	(2,738)
Appropriation of statutory reserve	—	1,113	(1,113)	—
At 31 December 2017 and 1 January 2018	(33,785)	2,431	(5,570)	(36,924)
Loss for the year	—	—	(18,218)	(18,218)
Investment in Excluded Companies	(29,883)	—	29,883	—
Appropriation of statutory reserve	—	8,190	(8,190)	—
Dividends declared	—	—	(9,000)	(9,000)
At 31 December 2018 and 1 January 2019	(63,668)	10,621	(11,095)	(64,142)
Profit for the year	—	—	6,909	6,909
Disposal of Excluded Companies	4,343	—	—	4,343
Appropriation of statutory reserve	—	134	(134)	—
At 31 December 2019 and 1 January 2020	(59,325)	10,755	(4,320)	(52,890)
Profit for the period	—	—	29,726	29,726
Disposal of Excluded Companies	50,888	—	—	50,888
Dividends declared	—	—	(31,500)	(31,500)
At 31 August 2020	(8,437)	10,755	(6,094)	(3,776)
At 1 January 2019	(63,668)	10,621	(11,095)	(64,142)
Profit for the period	—	—	10,127	10,127
Disposal of Excluded Companies	3,000	—	—	3,000
At 31 August 2019 (Unaudited)	(60,668)	10,621	(968)	(51,015)

28. ACQUISITION OF A SUBSIDIARY

In 2017, the Target Group entered into a sale and purchase agreement with an independent third party to acquire 100% of the equity interests in Guangzhou Quanyi Property Management Co., Ltd. ("Guangzhou Quanyi") at a cash consideration of RMB1. The principal activity of Guangzhou Quanyi is the provision of property management services. The acquisition was made with the aims to expand the Target Group's existing scale of operation and enlarge the Target Group's market presence.

Goodwill primarily arose from the expected future development of Guangzhou Quanyi's business, improvement on market coverage, enriching the service portfolio, integrating value-added services, and improvement on management efficiency, etc. Goodwill recognised is not expected to be deductible for income tax purposes.

The fair value of identifiable assets acquired and liabilities assumed at the completion date of acquisition is as follows:

	Fair value
	RMB'000
Property, plant and equipment *(Note 14)*	6
Bank balances and cash	—*
Trade payables	(138)
Tax payable	(12)
	(144)
Goodwill *(Note 16)*	144
Cash consideration	—*

Satisfied by:

	Total
	RMB'000
Cash	—*

* The balance represents amount less than RMB1,000

There were no acquisition-related costs incurred.

An analysis of net outflow of cash and cash equivalents in respect of acquisition of a subsidiary during the year ended 31 December 2017 is as follows:

	RMB'000
Net cash outflow arising on:	
Cash consideration paid	—*
Less: Bank balances and cash acquired at the acquisition date	—*
Net cash outflow on acquisition	—*

* The balance represents amount less than RMB1,000

Since the acquisition date, Guangzhou Quanyi has contributed revenue of RMB810,000 and loss of RMB12,800 to the Target Group's revenue and results for the year ended 31 December 2017. If the acquisition had occurred on 1 January 2017, the Target Group's revenue and profit would have been RMB174,606,000 and RMB15,313,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Target Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future performance.

29. NON-CONTROLLING INTERESTS

The non-controlling interests of subsidiaries that are not 100% owned by the Target Group during the years ended 31 December 2018, 2019 and 31 August 2020 are considered to be insignificant.

In 2019, the Target Group acquired an additional 49% of the equity interests in Huaiji Fangyuan Property Service Co., Ltd. at a consideration of RMB1. The carrying amount of the non-controlling interests in the Target Group on the date of acquisition was debit of RMB374,000.

30. MATERIAL RELATED PARTY TRANSACTIONS

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

	Year ended 31 December			Eight months ended 31 August	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Property management services from fellow subsidiaries	19,259	13,789	12,803	3,875	5,189
Property management services from related companies*	1,203	1,526	1,474	405	490
Value-added services from fellow subsidiaries	10,278	19,951	24,239	18,333	12,230
Value-added services from related companies*	609	706	4,452	1,382	—
Value-added services from fellow subsidiaries	5,061	1,189	2,510	675	923
Value-added services from related companies*	4,903	7,148	5,813	4,481	—
Operating lease charges to fellow subsidiaries	1,179	1,199	—	—	—
Short-term lease expenses to fellow subsidiaries	—	—	1,199	818	819
Cost of services to fellow subsidiaries	255	515	415	—	—
Cost of services to related companies*	74	109	—	—	—
Cost of services to Excluded Companies	10,614	7,831	107	—	—
Management fees to Excluded Companies	—	—	376	173	194

The above transactions were conducted on mutually agreed terms.

* Mr. Fong Ming, a director of the Target Company has beneficiary interests over the related companies.

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

The Target Group's investment properties were disposed to a related company over which Mr. Fong Ming, a director of the Target Company, has beneficiary interests, at sale proceeds (net of taxes) of RMB100,949,000 during the eight months ended 31 August 2020.

Compensation of key management personnel, who are directors of the Target Company, during the relevant periods are set out in Note 13.

31. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Target Group manages its capital to ensure that the entities in the Target Group will be able to continue as a going concern while maximising the returns to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Target Group consists of net debt, net of cash and cash equivalents and equity attributable to owners of the Target Company, comprising issued share capital and reserves.

The directors of the Target Company review the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Target Group will balance its overall capital structure through the payment of dividends, new shares issue and share buy-back as well as the issue of new debts or redemption of existing debt, if necessary.

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

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

	As at 31 December			As at 31 August
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total liabilities	115,020	217,724	192,225	109,078
Total assets	131,530	208,002	202,156	166,794
Gearing ratio	87%	105%	95%	65%

32. FINANCIAL RISK MANAGEMENT

The Target Group's major financial instruments include trade receivables, deposits and other receivables, bank balances and cash, borrowings, trade payables, accruals and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Target Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Interest rate risk

The Target Group's interest rate risk arises primarily from bank deposits and borrowings. The Target Group has not used any derivative contracts in order to hedge its exposure to interest rate risk. During the Relevant Periods, the Target Group does not anticipate significant impact to bank deposits because the interest rates of bank deposits are not expected to change significantly. The Target Group has not formulated a policy to manage the interest rate risk.

The Target Group's fair value interest-rate risk mainly arises from borrowings as disclosed in Note 22. During the Relevant Periods, borrowings were issued at fixed rates which expose the Target Group to fair value interest-rate risk. The Target Group has no cash flow interest-rate risk as there are no borrowings which bear floating interest rates. The Target Group has not used any financial instruments to hedge potential fluctuations in interest rates.

(b) Credit risk

The Target Group is exposed to credit risk in relation to its trade and other receivables and cash deposits at banks. The carrying amounts of trade and other receivables, cash and cash equivalents represent the Target Group's maximum exposure to credit risk in relation to financial assets.

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

The Target Group has large number of customers and there was no concentration of credit risk. The Target Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Target Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Target Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of individual property owner or the borrower
- Significant increases in credit risk on the other financial instruments of the individual property owner or the same borrower
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of borrowers in the Target Group and changes in the operating results of the debtor

(i) Trade receivables

As at 31 December 2017, 2018 and 2019 and 31 August 2020, the Target Group applies the general approach to provide for expected credit losses prescribed by HKFRS 9, which permits to recognise 12-month expected credit losses for trade receivables from related parties and all other receivables. Trade receivables from third parties applies the simplified approach to provide for expected losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days from billing date for customer with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The expected credit loss is determined based on a provision matrix that is based on the Target Group's historical credit loss experience, adjusted for forward looking factors specific to debtors and economic environment.

As at 31 December 2017, 2018 and 2019 and 31 August 2020, the loss allowance provision was determined based on due date below. The expected credit losses below also incorporated forward looking information.

Trade receivables

	Third parties				
	Up to 1 year	**1 to 2 years**	**Over 2 years**	**Related parties**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017					
Expected loss rate	5.0%	10.0%	62.6%	5.3%	
Gross carrying amount	15,711	4,776	2,755	11,480	34,722
Loss allowance provision	786	478	1,724	613	3,601
At 31 December 2018					
Expected loss rate	5.0%	10.0%	66.9%	5.0%	
Gross carrying amount	15,258	3,904	3,540	26,232	48,934
Loss allowance provision	763	390	2,367	1,319	4,839
At 31 December 2019					
Expected loss rate	5.0%	10.0%	69.7%	6.3%	
Gross carrying amount	15,700	4,155	3,925	42,035	65,815
Loss allowance provision	785	415	2,737	2,662	6,599
At 31 August 2020					
Expected loss rate	5.0%	10.0%	62.1%	10.8%	
Gross carrying amount	28,184	2,448	3,345	41,037	75,014
Loss allowance provision	1,409	245	2,076	4,432	8,162

As there were no significant changes in the Target Group's customer base, credit risk of customers, credit policy, and the Target Group's view of economic conditions over the expected lives of the receivables during the years ended 31 December 2017, 2018, 2019 and the eight months ended 31 August 2020, hence the Target Group applied a relatively stable credit loss rates during the above years/period.

(ii) Deposits and other receivables

The Target Group estimates the expected credit losses by applying a loss rate approach with reference to the historical loss records of the Target Group. The loss rate is adjusted to reflect to the current conditions and forecasts of future economic conditions, as appropriate. Set out below is the information about the credit risk exposure on the Target Group's deposits and other receivables:

Deposits and other receivables

	Third parties	**Related parties**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2017			
Expected loss rate	9.7%	Nil	
Gross carrying amount	3,449	—	3,449
Loss allowance provision	333	—	333
At 31 December 2018			
Expected loss rate	7.7%	Nil	
Gross carrying amount	6,336	—	6,336
Loss allowance provision	485	—	485
At 31 December 2019			
Expected loss rate	8.7%	8.3%	
Gross carrying amount	4,562	24	4,586
Loss allowance provision	397	2	399
At 31 August 2020			
Expected loss rate	7.6%	Nil	
Gross carrying amount	7,211	—	7,211
Loss allowance provision	547	—	547

Other receivables mainly represented deposits receivables and advances to employees, of which the credit risk remained relatively stable during the Relevant Periods. Accordingly, the expected credit loss rate of deposits and other receivables remained stable.

(iii) Loss allowance provision for trade and other receivables

As at 31 December 2017, 2018 and 2019 and 31 August 2020, the loss allowance provision for trade and other receivables reconciles to the opening loss allowance for that provision as follows:

	Trade receivables *RMB'000*	Other receivables *RMB'000*	Total *RMB'000*
At 1 January 2017	2,876	267	3,143
Provision for loss allowance recognised in profit or loss	725	66	791
At 31 December 2017 and 1 January 2018	3,601	333	3,934
Provision for loss allowance recognised in profit or loss	1,238	152	1,390
At 31 December 2018 and 1 January 2019	4,839	485	5,324
Provision for loss allowance recognised in profit or loss	1,760	—	1,760
Reversal of loss allowance recognised previously	—	(86)	(86)
At 31 December 2019 and 1 January 2020	6,599	399	6,998
Provision for loss allowance recognised in profit or loss	1,563	148	1,711
At 31 August 2020	8,162	547	8,709

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Target Company, which has built an appropriate liquidity risk management framework for the management of the Target Group's short, medium and long term funding and liquidity management requirements. The Target Group manages liquidity risk by maintaining adequate reserves and banking facilities.

The following table details the Target Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from current interest rate at the end of each reporting period.

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2017						
Trade payables	9,307	9,307	9,307	—	—	—
Accruals and other payables	65,972	65,972	65,972	—	—	—
Borrowings	15,000	15,328	15,328	—	—	—
	90,279	90,607	90,607	—	—	—
As at 31 December 2018						
Trade payables	9,526	9,526	9,526	—	—	—
Accruals and other payables	79,942	79,942	79,942	—	—	—
Borrowings	98,030	119,037	39,211	11,806	42,598	25,422
	187,498	208,505	128,679	11,806	42,598	25,422
As at 31 December 2019						
Trade payables	16,453	16,453	16,453	—	—	—
Accruals and other payables	84,067	84,067	84,067	—	—	—
Borrowings	64,230	80,126	11,806	11,343	40,748	16,229
	164,750	180,646	112,326	11,343	40,748	16,229
As at 31 August 2020						
Trade payables	19,759	19,759	19,759	—	—	—
Accruals and other payables	53,221	53,221	53,221	—	—	—
	72,980	72,980	72,980	—	—	—

(d) Fair value

Financial instruments not measured at fair value include deposits and bank balances, trade receivables, deposits and other receivables, borrowings, trade payables and accruals and other payables.

Due to their short term nature, the carrying values of these financial instruments approximate fair values.

33. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Target Group's financial assets and financial liabilities as recognised as at 31 December 2017, 2018 and 2019 and 31 August 2020 are catergorised as follows:

	As at 31 December			As at 31 August
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets:				
Financial assets measured at amortised cost	126,323	97,915	98,018	161,338
Financial liabilities:				
Financial liabilities measured at amortised cost	90,279	187,498	164,750	72,980

34. CASH FLOWS STATEMENT INFORMATION

Reconciliation of liabilities arising from financing activities

	Bank borrowings
	RMB'000
At 1 January 2017	—
Changes from financing cash flows:	
Proceeds from bank borrowings	15,000
Interest paid on bank borrowings	(523)
Total changes from financing cash flows	14,477
Other changes:	
Interest expenses on bank borrowings	523
Total other changes	523
At 31 December 2017 and 1 January 2018	15,000
Changes from financing cash flows:	
Proceeds from bank borrowings	98,030
Repayment of borrowings	(15,000)
Interest paid on bank borrowings	(2,830)
Total changes from financing cash flows	80,200
Other changes:	
Interest expenses on bank borrowings	2,830
Total other changes	2,830

	Bank borrowings
	RMB'000
At 31 December 2018 and 1 January 2019	98,030
Changes from financing cash flows:	
Repayment of borrowings	(33,800)
Interest paid on bank borrowings	(5,316)
Total changes from financing cash flows	(39,116)
Other changes:	
Interest expenses on bank borrowings	5,316
Total other changes	5,316
At 31 December 2019 and 1 January 2020	64,230
Changes from financing cash flows:	
Repayment of borrowings	(64,230)
Interest paid on bank borrowings	(2,119)
Total changes from financing cash flows	(66,349)
Other changes:	
Interest expenses on bank borrowings	2,119
Total other changes	2,119
At 31 August 2020	—
At 31 December 2018 and 1 January 2019	98,030
Changes from financing cash flows:	
Repayment of borrowings	(21,744)
Interest paid on bank borrowings	(3,776)
Total changes from financing cash flows	(25,520)
Other changes:	
Interest expenses on bank borrowings	3,776
Total other changes	3,776
At 31 August 2019 (Unaudited)	76,286

35. OPERATING LEASE COMMITMENTS

(a) Target Group as lessor

At the reporting dates, the total future minimum lease receivable under non-cancellable operating leases is as follows:

	As at 31 December			As at 31 August
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	—	2,049	2,205	—
Later than one year but not later than two years	—	3,259	1,963	—
Later than two years but not later than five years	—	2,637	—	—
	—	7,945	4,168	—

(b) Target Group as lessee

As at 31 December 2017 and 2018, the total future minimum lease payments payable by the Target Group under non-cancellable operating leases are as follows:

	As at 31 December	
	2017	2018
	RMB'000	*RMB'000*
Within one year	125	180

From 1 January 2019, the Target Group has adopted HKFRS 16.

36. INVESTMENTS IN SUBSIDIARIES

	As at 31 December			As at 31 August
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investment, at cost	3,000	3,510	3,800	4,840

Details of subsidiaries are set out in Note 1.2.

37. COVID-19 OUTBREAK

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

38. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the Historical Financial Information, the Target Group has no significant events subsequent to 31 August 2020.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or any of the companies comprising the Target Group in respect of any period subsequent to 31 August 2020 and to the date of this report.

Set out below is the management discussion and analysis on the Target Group for the three years ended 31 December 2017, 2018, and 2019 and the eight months ended 31 August 2020 (the "**Relevant Periods**") which shall be read in conjunction with the financial information of the Target Group as set out in Appendix II to this Circular.

BUSINESS REVIEW

The Target Company was established in 1996 under the laws of the PRC with limited liability. It has been providing property management services for 24 years and continues to provide professional property management services and value-added services for residential and commercial properties. Upon Completion, the Target Group will become non-wholly owned subsidiaries of the Company, and the financial results of the Target Group will be consolidated with the Group.

The Target Company is based in Guangzhou, where its services mainly cover the Greater Bay Area and spread steadily across some other regions of the PRC. As at 31 August 2020, the Target Company has been contracted to provide property management services for 71 projects, covering a gross floor area of 12 million sq.m.. In the future, the Target Company aims to focus on the Greater Bay Area and the areas where existing projects are located for its market expansion, and plans to steadily expand under the premise of cost-effectiveness.

The Target Company is committed to becoming a leading modern integrated service provider in the property management industry in the PRC, and it has been awarded the title of "PRC's Top 100 Property Management Companies"* ("中國物業服務百強企業") for six consecutive years. In 2020, according to CIA, the Target Company was ranked 22nd in the "PRC's Top 100 Property Management Companies"* ("中國物業服務22強企業").

According to CIA, (i) the revenue from property management services of the Top 100 Property Management Companies in the PRC has been growing steadily through both organic growth and external acquisitions; (ii) the average revenue from property management services of the Top 100 Property Management Companies in the PRC increased from RMB450.3 million in 2015 to RMB817.0 million in 2019, representing a CAGR of 16.1% and (iii) the net profit margin of the Top 100 Property Management Companies in the PRC remained stable at around 5.5%, 5.6% and 6.0% in 2017, 2018 and 2019, respectively.

In 2020, the National People's Congress approved the Civil Code of the People's Republic of China (《中華人民共和國民法典》) ("**Civil Code**"). The Civil Code makes adjustments to certain regulations in the real estate industry (including lowering the threshold for property owners to make decisions on major issues in the community) and introduces a number of real estate industry-related provisions. Governments in various regions have also revised and improved policies and regulations related to property management. As a result, the development of the property management industry is seen to have become more structured. Since 2019, authorities in Guangdong and other regions have also published a number of policies to explore a more market-driven approach in determining property management service fees in order to loosen up the limitation(s) on the property management service fees for ordinary residential communities.

FINANCIAL REVIEW

Revenue

The revenue of the Target Group consists principally of service fees derived from the provision of property management services and value-added services for residential and commercial properties in the PRC.

The following table shows the breakdown of revenue during the Relevant Periods:

	Year ended 31 December			Eight months ended 31 August	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Property management services	116,570	133,019	137,427	86,331	97,163
Value-added services	28,966	38,095	40,871	29,046	22,458
Community value-added services					
Other value-added services	26,894	25,155	31,207	16,003	15,430
Sales of goods	1,144	1,693	930	581	478
	173,574	197,962	210,435	131,961	135,529

- The Target Group's revenue increased by approximately RMB24.4 million from approximately RMB173.6 million for the year ended 31 December 2017 to approximately RMB198.0 million for the year ended 31 December 2018, representing an increase of approximately 14.1%. Such increase was mainly driven by the increase in revenue from (i) property management services by approximately RMB16.4 million, representing an increase of 14.1%; and (ii) value-added services by approximately RMB9.1 million, representing an increase of 31.5%, mainly attributable to the increase in the contracted gross floor area and the number of new projects of the Target Group.

- The Target Group's revenue increased by approximately RMB12.50 million from approximately RMB198.0 million for the year ended 31 December 2018 to approximately RMB210.4 million for the year ended 31 December 2019, representing an increase of approximately 6.3%. Such increase was mainly driven by the increase in revenue from (i) property management services by approximately RMB4.4 million, representing an increase of approximately 3.3%, mainly attributable to the increase in the contracted gross floor area and the number of new projects of the Target Group; and (ii) other value-added services by approximately RMB6.1 million, representing an increase of 24.1%, mainly attributable to the increase in demand of services, including management services of swimming pools and car parks.

- The Target Group's revenue increased by approximately RMB3.6 million from approximately RMB132.0 million for the eight months ended 31 August 2019 to approximately RMB135.5 million for the eight months ended 31 August 2020, representing an increase of approximately 2.7%. Such increase was mainly driven by the increase in revenue from property management services by approximately RMB10.8 million, representing an increase of 12.5%, mainly attributable to the increase in the contracted gross floor area and the number of new projects of the Target Group, offset by the decrease in value-added services by approximately RMB6.6 million, representing a decrease of 22.7%, mainly attributable to the decrease in demand of services due to the outbreak of the novel coronavirus.

Cost of services

The cost of services of the Target Group primarily includes staff costs, subcontracting costs, equipment maintenance costs, provisions for social insurance and housing provident fund of employees and depreciation costs of operating assets.

- The Target Group's cost of services increased by approximately RMB11.5 million from approximately RMB124.4 million for the year ended 31 December 2017 to approximately RMB135.9 million for the year ended 31 December 2018, representing an increase of approximately 9.3%. Such increase was mainly attributable to the increase in subcontracting costs for security and cleaning services arising out of the increase in the contracted gross floor area of the Target Group to cope with the increase in demand of services. Since April 2018, the Target Group has started large-scale subcontracting of its security services, which resulted in the further increase in subcontracting costs from April 2018 onwards.

- The Target Group's cost of services increased by approximately RMB16.5 million from approximately RMB135.9 million for the year ended 31 December 2018 to approximately RMB152.4 million for the year ended 31 December 2019, representing an increase of approximately 12.1%. Such increase was mainly attributable to the increase in subcontracting costs for security and cleaning services as a result of the increase in the contracted gross floor area of the Target Group and in the increment of labour cost generally as a result of a raise in the minimum wages and to cope with the increase in demand of services, offset by the decrease in equipment maintenance and repair costs for maintaining and repairing the common areas of certain properties under the management of the Target Group.

- The Target Group's cost of services increased by approximately RMB7.4 million from approximately RMB95.0 million for the eight months ended 31 August 2019 to approximately RMB102.5 million for the eight months ended 31 August 2020, representing an increase of approximately 7.8%. Such increase was mainly attributable to the increase in subcontracting costs for security and cleaning services as a result of the increase in the contracted gross floor area of the Target Group to cope with the increase in demand of services.

Other income, net

The other income, net of the Target Group mainly represents gain on disposal of investment properties, rental income and government grants.

- The Target Group's other income, net increased by approximately RMB1.0 million from approximately RMB1.3 million for the year ended 31 December 2017 to approximately RMB2.3 million for the year ended 31 December 2018. Such increase was mainly attributable to the rental income received from the investment properties acquired in July 2018, offset by the one-off government grant obtained in 2017 for the successful listing of the Target Group on the National Equities Exchange Quotations in the PRC.

- The Target Group's other income, net increased by approximately RMB4.6 million from approximately RMB2.3 million for the year ended 31 December 2018 to approximately RMB6.9 million for the year ended 31 December 2019. Such increase was mainly attributable to the rental income received for the full year in 2019 (as opposed to the four months of rental income received in 2018) in respect of the investment properties acquired in July 2018.

- The Target Group's other income, net increased by approximately RMB5.1 million from approximately RMB3.9 million for the eight months ended 31 August 2019 to approximately RMB9.0 million for the eight months ended 31 August 2020. Such increase was mainly attributable to the gain on disposal of the investment properties acquired in July 2018.

Administrative expenses

The administrative expenses of the Target Group primarily include staff costs, management fee expenses, operating lease in respect of land and buildings, repair and maintenance expenses, depreciation, insurance, advertising and promotion expenses.

- The Target Group's administrative expenses increased by approximately RMB10.9 million from approximately RMB26.7 million for the year ended 31 December 2017 to approximately RMB37.6 million for the year ended 31 December 2018, representing an increase of approximately 40.6%. Such increase was mainly attributable to the increase in (i) staff costs due to the addition of administrative staff and salary increment, (ii) depreciation costs of the information technology systems, and (iii) depreciation costs of the investment properties acquired in July 2018.

- The Target Group's administrative expenses increased by approximately RMB4.9 million from approximately RMB37.6 million for the year ended 31 December 2018 to approximately RMB42.4 million for the year ended 31 December 2019, representing an increase of approximately 12.9%. Such increase was mainly attributable to the increase in (i) staff costs due to the addition of administrative staff and salary increment and (ii) depreciation costs of the investment properties acquired in July 2018, which was accounted for the full year in 2019 (as opposed to the five months in 2018) by reference to the timing of the acquisition.

- The Target Group's administrative expenses remained relatively stable at RMB25.2 million for the eight months ended 31 August 2020 as compared to RMB24.7 million for the eight months ended 31 August 2019.

Finance costs

Finance costs mainly represent interest expenses on bank borrowings. The Target Group recorded finance costs of approximately RMB0.5 million, RMB2.8 million, RMB5.3 million, RMB3.8 million and RMB2.1 million for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2019 and 2020, respectively. The increase of approximately RMB2.3 million in finance costs for the year ended 31 December 2018 was mainly due to finance costs of the then new bank loan facility of up to RMB73.5 million ("**Loan Facility**") utilised for the acquisition of investment properties in July 2018. The increase of approximately RMB2.5 million in finance costs for the year ended 31 December 2019 was mainly due to the finance costs related to the Loan Facility which accounted for the full year in 2019 (as opposed to the six months in 2018). The decrease of approximately RMB1.7 million in finance costs for the eight months ended 31 August 2020 was mainly due to repayment of the Loan Facility.

Income tax expenses

- The Target Group's income tax expenses decreased by approximately RMB1.7 million from approximately RMB6.8 million for the year ended 31 December 2017 to approximately RMB5.0 million for the year ended 31 December 2018, representing a decrease of approximately 25.4%. Such decrease was mainly attributable to the tax effect of increase in revenue not taxable for tax purposes and decrease in expenses not deductible for tax purposes.

- The Target Group's income tax expenses decreased by approximately RMB3.0 million from approximately RMB5.0 million for the year ended 31 December 2018 to approximately RMB2.0 million for the year ended 31 December 2019, representing a decrease of approximately 60.3%. Such decrease was mainly attributable to the preferential tax treatment received by certain subsidiaries of the Target Group which were qualified as small enterprises and micro businesses* (小型微利企業)

- The Target Group's income tax expenses remained relatively stable at RMB1.7 million for the eight months ended 31 August 2020 as compared to RMB1.8 million for the eight months ended 31 August 2019.

Profits for the year

- The Target Group's profits increased by approximately RMB1.7 million from approximately RMB15.7 million for the year ended 31 December 2017 to approximately RMB17.4 million for the year ended 31 December 2018, representing an increase of approximately 10.8%. Such increase was mainly attributable to an increase in revenue, which was partially offset by the increase in cost of services and in administrative expenses and by depreciation costs and finance costs associated with the acquisition of the investment properties in July 2018.

- The Target Group's profits decreased by approximately RMB4.1 million from approximately RMB17.4 million for the year ended 31 December 2018 to approximately RMB13.3 million for the year ended 31 December 2019, representing a decrease of approximately 23.5%. Such decrease was mainly due to an increase in cost of services, administrative expenses and finance costs, which was partially offset by an increase in revenue and preferential tax treatment.

- The Target Group's profits increased by approximately RMB3.9 million from approximately RMB7.3 million for the eight months ended 31 August 2019 to approximately RMB11.2 million for the eight months ended 31 August 2020, representing an increase of approximately 53.2%. Such increase was mainly attributable to the increase in gains on the disposal of the investment properties acquired in July 2018.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Target Group financed its operations and capital expenditure primarily by internally generated funds from operations and bank borrowings.

As at 31 December 2017, 2018 and 2019 and 31 August 2020, the Target Group had net current assets/(liabilities) of approximately RMB11.7 million, RMB(55.0) million, RMB(37.5) million and RMB53.6 million, respectively. The net current liabilities positions as at 31 December 2018 and 2019 were mainly due to the decrease in bank balances and cash and the increase in borrowings associated with the acquisition of investment properties in July 2018. The net current assets position as at 31 August 2020 was mainly due to the increase in bank balances and cash due to the disposal of unrelated subsidiaries and investment properties and the increase in prepayments, deposits and other receivables due to the increase in procurement of necessities for project management and rent for dormitories in light of the increase in the number of projects.

As at 31 August 2020, the amounts due from entities controlled by Mr. Fong amounted to RMB21,345,000. As at the Latest Practicable Date, the Target Company currently expects to receive the full settlement of the outstanding amount by end of 2020.

Cash and bank balances

As at 31 December 2017, 2018 and 2019 and 31 August 2020, the Target Group had cash and bank balances of approximately RMB89.0 million, RMB31.7 million, RMB14.5 million and RMB66.5 million, respectively. Cash and bank balances are denominated in RMB. The decrease in cash and bank balances as at 31 December 2018 and 2019 as compared to 31 December 2017 was mainly due to the acquisition of the investment properties in July 2018. The increase in cash and bank balances as at 31 August 2020 as compared to 31 December 2019 was mainly due to the disposal of unrelated subsidiaries and investment properties.

Borrowings

Borrowings mainly represent secured bank loans. The Target Group utilised loans principally to finance its daily operations and general working capital requirements, as well as for the acquisition of the investment properties in July 2018. As at 31 December 2017, 2018 and 2019 and 31 August 2020, the Target Group had borrowings of approximately RMB15.0 million, RMB98.0 million, RMB64.2 million and nil, respectively. The bank loans are denominated in RMB with interest rates ranging between 5.56% to 6.96%. The effective interest rate was 5.56% to 6.09%, 5.64% to 6.96%, 5.64% and nil per annum for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, respectively. Details of the Group's borrowings as at the Relevant Periods are set out in note 22 to the historical financial information of the Target Group in Appendix II to this circular.

Gearing Ratio

The Target Group's gearing ratio had been maintained at 87%, 105%, 95% and 65% as at 31 December 2017, 2018 and 2019 and 31 August 2020, principally due to the existence of the Loan Facility from July 2018 to July 2020.

The Target Group had no capital instruments and financial instruments for hedging purposes throughout the Relevant Periods.

DIVIDEND

The companies within the Target Group declared nil, RMB9.0 million, nil and RMB31.5 million of dividends during the years ended 31 December 2017, 2018 and 2019, and the eight months ended 31 August 2020, respectively. The cash dividend of RMB9.0 million was declared on 19 April 2018 and the cash dividend of RMB31.5 million was declared on 3 August 2020 following the disposal of the investment properties acquired in July 2018.

CAPITAL EXPENDITURE

The capital expenditure of the Target Group has been used principally in connection with acquisitions of property, plant and equipment. The Target Group recorded capital expenditure of approximately RMB1.3 million, RMB0.8 million, RMB0.8 million and RMB0.3 million for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, respectively.

CHARGE ON ASSETS

As at 31 December 2018 and 2019, the Target Group had investment properties with carrying amounts of approximately RMB104.9 million and RMB99.5 million, respectively, which were subject to pledge in favour of a bank to secure the borrowings of up to RMB73.5 million in relation to the acquisition of those investment properties acquired in July 2018.

EMPLOYEES

As at 31 December 2017, 2018 and 2019 and 31 August 2020, the Target Group had 1,061, 894, 958 and 895 employees, respectively. The total costs of employees for the Target Group for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020 were approximately RMB85.0 million, RMB70.4 million, RMB88.5 million and RMB48.2 million, respectively. Since April 2018, the Target Group has started large scale subcontracting of its security services, which resulted in a decrease in the number and the total costs of employees in 2018 as compared to 2017.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Other than the acquisitions of property, plant and equipment for operations, as at the Latest Practicable Date, the Target Group had no current plan for material investments or capital assets.

OPERATING LEASE COMMITMENT

As at 31 December 2017, 2018 and 2019 and 31 August 2020, the Target Group had total future minimum lease receivables under non-cancellable operating leases in respect of offices of approximately nil, RMB7.9 million, RMB4.2 million and nil, respectively.

As at 31 December 2017, 2018 and 2019 and 31 August 2020, the Target Group had total future minimum lease payables under non-cancellable operating leases in respect of offices and residential properties for dormitories of approximately RMB0.1 million, RMB0.1 million, nil and nil, respectively.

CAPITAL COMMITMENT

As at 31 December 2017, 2018 and 2019 and 31 August 2020, the Target Group had no material capital commitment.

CONTINGENT LIABILITIES

As at 31 December 2017, 2018 and 2019 and 31 August 2020, the Target Group had no material contingent liabilities.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

Save for (i) the disposal of the 3 and 10 investee companies principally engaged in the businesses of parking operations, information technology and innovation and financial services (the "**Excluded Companies**") at total consideration of approximately RMB6,350,000 and RMB67,586,000 in 2019 and 2020, respectively, as detailed in note (a) to the Consolidated Statements of Changes in Equity of the Accountants' Report of the Target Group in Appendix II to this circular; (ii) the acquisition of a subsidiary in 2017 for a cash consideration of RMB1 as detailed in note 28 of the Accountants' Report of the Target Group in Appendix II to this circular; and (iii) the acquisition of an additional 49% of equity interests in Huaiji Fangyuan Property Service Co., Ltd. in 2019 at a consideration of RMB1 as detailed in note 29 of the Accountants' Report of the Target Group in Appendix II to this circular, the Target Group did not carry out any material acquisition or disposal of subsidiaries and associated companies during the years ended 31 December 2017, 2018 and 2019, and the eight months ended 31 August 2020.

During the years ended 31 December 2017, 2018 and 2019, and the eight months ended 31 August 2020, the significant investments held by the Target Group were investment properties located in the PRC which were acquired in 2018 and disposed of in 2020. As at 31 December 2018 and 2019, the carrying amount of these investment properties were approximately RMB104.9 million and RMB99.5 million, respectively. These investment properties were disposed of to a company over which Mr. Fong has beneficiary interests with sale proceeds of approximately RMB100.9 million, as detailed in note 15 and note 30 of the Accountants' Report of the Target Group in Appendix II to this circular.

The information set out in this appendix does not form part of the accountants' report prepared by the reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, set out in Appendix II to this circular, and is included herein for illustrative purposes only.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(1) Basis of Preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group

The accompanying unaudited pro forma financial information of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**") has been prepared by the Directors in accordance with paragraph 4.29 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants, for illustrative purposes only, to illustrate the effects of the Group's proposed acquisition of approximately 66.31% of the equity interests in the Target Company as defined in this circular (the "**Proposed Acquisition**"). The Unaudited Pro Forma Financial Information is prepared to illustrate the financial position of the Enlarged Group as at 30 June 2020 as if the Proposed Acquisition had been completed on 30 June 2020. The Target Company and its subsidiaries are collectively referred to as the Target Group.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared based on: (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2020, which was extracted from the published interim report of the Group for the six months ended 30 June 2020; and (ii) the audited consolidated statement of financial position of the Target Group as at 31 August 2020, which was extracted from the accountants' report set out in Appendix II to this circular, and adjusted on a pro forma basis to reflect the effect of the Proposed Acquisition, as if the Proposed Acquisition had completed on 30 June 2020.

The Unaudited Pro Forma Financial Information are prepared by the Directors based on a number of assumptions, estimates, uncertainties and currently available information and are prepared for illustrative purpose only. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group that would have been attained had the Proposed Acquisition been completed on 30 June 2020 or at any dates.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the historical financial information of the Group as set out in the published interim report of the Group for the six months ended 30 June 2020, the accountants' report of the Target Group as set out in Appendix II to this circular and other financial information included elsewhere in this circular.

(2) Unaudited Pro Forma Financial Information of the Enlarged Group

Unaudited Pro Forma Consolidated Statement of Assets and Liabilities
As at 30 June 2020

	The Group as at 30 June 2020	Pro forma adjustments			Pro forma for the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 4)*	*(Note 5)*	
Non-current assets					
Property, plant and equipment	2,662	1,725			4,387
Goodwill	—	144	15,711		15,855
Deferred tax assets	—	2,226			2,226
Right-of-use assets	7,484	—			7,484
Other intangible asset	—	—	23,000		23,000
Total non-current assets	10,146				52,952
Current assets					
Inventories	—	129			129
Trade receivables	50,406	66,852			117,258
Deposits, prepayments and other receivables	21,784	7,896			29,680
Amounts due from entities controlled by shareholders	—	21,345			21,345
Amounts due from fellow subsidiaries	33,350	—			33,350
Amount due from a related company	12,500	—			12,500
Bank balances and cash	90,514	66,477	(13,600)		143,391
Total current assets	208,554				357,653

	The Group as at 30 June 2020	Pro forma adjustments			Pro forma for the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 4)*	*(Note 5)*	
Current liabilities					
Trade payables	(26,544)	(19,759)			(46,303)
Contract liabilities	(10,592)	(21,936)			(32,528)
Accruals and other payables	(26,262)	(65,503)	(20,400)	(5,947)	(118,112)
Lease liabilities	(3,529)	—			(3,529)
Tax payable	(15,082)	(1,880)			(16,962)
Total current liabilities	(82,009)				(217,434)
Net current assets	126,545				140,219
Total assets less current liabilities	136,691				193,171
Non-current liabilities					
Lease liabilities	(4,416)	—			(4,416)
Other payables	—	—	(31,469)		(31,469)
Deferred tax liabilities	(1,574)	—	(5,750)		(7,324)
Total non-current liabilities	(5,990)				(43,209)
Net assets	130,701				149,962

Notes:

1. The financial information of the Group as at 30 June 2020 is extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2020 as set out in the published interim report of the Group for the six months ended 30 June 2020.

2. The financial information of the Target Group as at 31 August 2020 is extracted from the audited consolidated statement of financial position of the Target Group as at 31 August 2020 in the accountants' report of the Target Group as set out in Appendix II to this circular.

3. The Directors of the Company confirm that the basis used in the preparation of the Unaudited Pro Forma Financial Information will be consistent with the accounting policies of the Group, including the principal accounting policies and assumptions of the valuation of the identified assets and liabilities of the Target Group to be consistently adopted in the first set of the financial statements of the Group after the completion of the Proposed Acquisition.

4. Pursuant to the share purchase agreement dated 15 October 2020, the Group has conditionally agreed to acquire approximately 66.31% of the equity interests in the Target Company from the vendors at an aggregate consideration of RMB68,000,000. The consideration for the Proposed Acquisition is to be satisfied by cash in the following manner:

   (i) RMB13,600,000, at the later of (a) the completion of the Proposed Acquisition; or (b) the date on which the vendors are allowed under applicable laws (including the completion of any requisite foreign exchange registration) to receive the consideration;

   (ii) RMB20,400,000, within 180 days from the completion of the Proposed Acquisition; and

   (iii) RMB34,000,000, at the later of (a) 28 February 2022; or (b) within 360 days from the completion of the Proposed Acquisition.

   For the purpose of the Unaudited Pro Forma Financial Information, the Directors of the Company consider the gross values of the instalments (i) and (ii) approximated their fair values, and the fair value of instalment (iii) is estimated at the discounted amount of RMB31,469,000.

   According to the Group's accounting policy, the Group has selected acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" ("HKFRS 3 (Revised)") to account for the business combination under common control having substance. This Unaudited Pro Forma Financial Information has been prepared by applying acquisition method of accounting to account for the Proposed Acquisition, given the directors of the Company consider that the Proposed Acquisition has substance from the perspective of the Group, which is consistent with the Group's accounting policy.

For the purpose of the Unaudited Pro Forma Financial Information, the Group has appointed Cushman & Wakefield Limited, an independent firm of professionally qualified valuers, to estimate the acquisition-date fair value of the identifiable assets and liabilities of the Target Group, as if the Proposed Acquisition had been completed on 30 June 2020 in order to assist the Group to carry out the purchase price allocation exercise in accordance with HKFRS 3 (Revised). The fair values and carrying values of the assets and liabilities of the Target Group are analysed as follows:

	Carrying value of the Target Group	**Adjustments on identifiable assets and liabilities of the Target Group**	**Fair value of net identifiable assets to be acquired**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	1,725		1,725
Goodwill	144	(144)*	—
Deferred tax assets	2,226		2,226
Other intangible asset	—	23,000	23,000
Inventories	129		129
Trade receivables	66,852		66,852
Prepayments, deposits and other receivables	7,896		7,896
Amounts due from entities controlled by shareholders	21,345		21,345
Cash and cash equivalents	66,477		66,477
Trade payables	(19,759)		(19,759)
Contract liabilities	(21,936)		(21,936)
Accruals and other payables	(65,503)		(65,503)
Tax payable	(1,880)		(1,880)
Deferred tax liabilities	—	(5,750)	(5,750)
Net identifiable assets to be acquired	57,716		74,822
Less: Non-controlling interests			(25,208)
			49,614
Goodwill arising from the Proposed Acquisition			15,855*
			65,469
Cash consideration upon the completion of the Proposed Acquisition			13,600
Deferred consideration			51,869
Total consideration			65,469

* The net amount of RMB15,711,000 represents the difference between the goodwill arising from the Proposed Acquisition of RMB15,855,000 and the fair value adjustment on the carrying value of goodwill of RMB144,000.

The estimated fair value of the identifiable intangible asset, representing customer relationship of RMB23,000,000 was based on the valuation report prepared by Cushman & Wakefield Limited based on multiple-period-excess-earnings method and the deferred income tax impact has been adjusted accordingly. For the purpose of the Unaudited Pro Forma Financial Information, the Directors of the Company consider that there is no indication of impairment of this intangible asset in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("**HKAS 36**").

Deferred tax liabilities, which were determined based on a tax rate of 25% in accordance with the law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and implementation regulations of the EIT Law, arose from the taxable temporary differences between the tax base and the fair value of the identifiable assets and liabilities acquired.

The Group has elected to measure the non-controlling interests, representing approximately 33.69% of the equity interests in the Target Company, at the non-controlling interests' proportionate share of the Target Group's fair value of net identifiable assets.

For the purpose of the Unaudited Pro Forma Financial Information, the goodwill on the Proposed Acquisition, which represents the amount by which the purchase consideration exceeds the fair value of the identifiable assets and liabilities of the Target Group to be acquired, is computed as if the Proposed Acquisition had been completed on 30 June 2020. The amount of goodwill is subject to the fair value of assets and liabilities of the Target Group to be finalised on the actual date of completion of the Proposed Acquisition.

According to the Group's accounting policies, the goodwill arising from the Proposed Acquisition will be tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, the goodwill is allocated to the cash generating units that are expected to benefit from the synergies of the acquisition of the Target Group. Where the recoverable amount of the cash-generating unit is less than its carrying value, an impairment loss will be recognised by reducing the carrying value of any goodwill allocated to the cash-generating units at first.

For the purpose of the Unaudited Pro Forma Financial Information, the Directors of the Company have performed an impairment assessment on the goodwill arising from the Proposed Acquisition in accordance with HKAS 36 and consider that there would have been no impairment of the goodwill as if the Proposed Acquisition had been completed on 30 June 2020.

The amounts of goodwill and the related impairment assessment are subject to change upon actual completion of the Proposed Acquisition due to the fair value assessment of the net assets which may differ materially from the amounts disclosed above.

Upon the completion of the Proposed Acquisition, the Group will adopt consistent accounting policies and principal assumptions to assess the impairment of other intangible asset and goodwill of the Enlarged Group in subsequent reporting periods in accordance with HKAS 36.

5. The adjustment represents the estimated professional fees and transaction costs of approximately RMB5,947,000, including accountancy, legal, valuation and other professional services in connection with the Proposed Acquisition, which are assumed to be due upon the completion of the Proposed Acquisition.

6. Other than the adjustments in relation to the Proposed Acquisition set out in the notes above, no other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group subsequent to 30 June 2020, and of the Target Group entered into subsequent to 31 August 2020.

The following is the text of a report prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Enlarged Group.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

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To The Directors of Fineland Real Estate Services Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Fineland Real Estate Services Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities and related notes (the "**Unaudited Pro Forma Financial Information**") as set out in Section A of Appendix IV to the circular issued by the Company dated 3 December 2020 (the "**Circular**") in relation to the proposed acquisition of approximately 66.31% of the equity interests in Guangzhou Fineland E-Life Service Co., Ltd. by the Company (the "**Proposed Acquisition**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix IV to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Proposed Acquisition on the Group's financial position as at 30 June 2020 as if the Proposed Acquisition had taken place at 30 June 2020. As part of this process, information about the Group's financial position as at 30 June 2020 has been extracted by the Directors from the Group's unaudited condensed consolidated statement of financial position as included in the published interim report of the Group for the six months ended 30 June 2020, on which no audit or review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition at 30 June 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

— The related pro forma adjustments give appropriate effect to those criteria; and

— The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants
Hong Kong
3 December 2020

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(i) Directors and chief executives

Directors' and Chief Executives' Interests or Short Positions in Shares, Underlying Shares and Debentures

As at the Latest Practicable Date, 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 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 Sections 324 and 347 of the SFO or the Model Code are as follows:

Long position in the Shares:

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

Notes:

1. 216,000,000 Shares is registered in the name of Mansion Green, which is held 70% by Mr. Fong's holding companies (including Stand Smooth, Hero Dragon, Fineland Group Holdings and Widethrive Investments) and 30% by Aspiring Vision, which is wholly-owned by Ms. Tse.

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, which is wholly-owned by Mr. Yi.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executives of the Company or their respective associates 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) as 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 Sections 324 and 347 of the SFO or the Model Code.

(ii) Substantial Shareholders

Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares and Debentures

As at the Latest Practicable Date, 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 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%

Name	Nature of Interest	Number of Shares held	Approximate percentage of shareholding
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 directly 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 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 the Latest Practicable Date, 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.

3. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors, the controlling shareholders of the Company and their respective close associates had any interest in a business which competes or may compete with the businesses of the Enlarged Group.

4. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS OF SIGNIFICANCE

Interests in assets

The following tenancy agreements set out certain leases to members of the Enlarged Group:

(i) Guangzhou Fang Yuan Bao Network and Technology Limited* (廣州房緣寶網絡科技有限公司) and Guangzhou Fineland Property Consultancy (as the tenants), both of which are members of the Group, have entered into annual tenancy agreements with GZ Fineland Property Management (as the landlord), a member of the Fineland Group and an associate of Mr. Fong, being the non-executive Director, for premises located at unit 701, No. 28 Tiyu East Road, Tianhe District, Guangzhou, PRC to be used as offices with the latest tenancy agreement for a term commencing from 1 January 2020 to 31 December 2020, and monthly rental of approximately RMB215,300;

(ii) the Target Company (as the tenant) entered into tenancy agreements on 18 June 2020 and 1 August 2020 with Guangzhou Wanpeng Incubator Investment Limited* (廣州萬鵬孵化器投資管理有限公司) (as the landlord), a member of the Fineland Group and an associate of Mr. Fong, being the non-executive Director, for premises located at No. 12 Keyun Road, Tianhe District, Guangzhou, PRC to be used as offices for various terms ranging from two months to three years ending 17 June 2023, and monthly rental ranging from approximately RMB12,000 to RMB112,000;

(iii) Guangzhou Fineland Property Consultancy (as the tenant) entered into a tenancy agreement and supplemental agreement on 1 January 2015 and 29 March 2017, respectively, with Ms. Zheng Xin (as the landlord), who is the daughter of Ms. Tse, being one of the executive Directors, for premises located at 1/F, Yung Yueju, Baiyun Golf Garden, 118 Huangshi East Road, Baiyun District, PRC* (中國廣州白雲區黃石東路118號白雲高爾夫花園盈月居首層商鋪) to be used as an outlet for a term commencing from 1 January 2015 to 31 December 2020, and monthly rental ranging from approximately RMB18,000 to RMB23,400;

Pursuant to a property sale and purchase agreement dated 27 July 2020, the Target Company as vendor disposed of property situated in Guangzhou to Guangzhou Monterey Trading Co., Ltd.* (廣州蒙特利貿易有限公司) ("**Guangzhou Monterey**") as purchaser for a consideration of approximately RMB115,885,000. Guangzhou Monterey is a wholly-owned subsidiary of Guangzhou Fineland Real Estate Development Co., Ltd.* (廣州市方圓房地產發展有限公司), which is in turn indirectly wholly-owned by Mr. Fong, being the non-executive Director.

Save as disclosed above and in this circular, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2019 (the date to which the latest published audited consolidated financial statements of the Group were made up).

Interests in contracts or arrangements of significance

As at the Latest Practicable Date, (i) Mr. Fong (due to his shareholding interests in the Fineland Group), (ii) Ms. Tse (due to the acting-in-concert arrangement with Mr. Fong), and (iii) Ms. Rong (due to her directorship in Fineland Group Holdings) had material interests in the following:

(i) the renewal master agency service agreement dated 3 September 2020 entered into between the Company and Fineland Group Holdings in relation to provision of real estate agency services in the primary property market by the Group to members of the Fineland Group for a term of three years commencing on 1 January 2021 and expiring on 31 December 2023;

(ii) the supplemental master agency service agreement dated 26 September 2018 entered into between the Company and Fineland Group Holdings in relation to the provision of real estate agency services in the primary property market by the Group to members of the Fineland Group for a term commencing from 28 November 2018 to 31 December 2020; and

(iii) the master agency service agreement dated 11 October 2017 entered into between the Company and Fineland Group Holdings in relation to the provision of real estate agency services in the primary property market by the Group to members of the Fineland Group for a term commencing from the date thereof to 31 December 2019.

In addition to the Trademark Licensing Agreements entered into between certain members of the Target Group and Fineland Group Holdings on 1 January 2020 as described in the paragraph headed "The Trademark Licensing Agreements" of the section headed "Letter from the Board" in this circular, Fineland Group Holdings (as the licensor) and the Company (as the licensee) has entered into trademark licence agreements on 11 October 2017 (the "**Agency Trademark License Agreements**"), pursuant to which Fineland Group Holdings agreed to grant to the Group an exclusive license to use certain trademarks registered by Fineland Group Holdings in Hong Kong and the PRC (the "**Licensed Trademarks**") at nil consideration. As at the Latest Practicable Date, Fineland Group Holdings is ultimately, wholly and beneficially owned by Mr. Fong, being one of the controlling shareholders of the Company and the non-executive Director. The term of the Agency Trademark License Agreements commences on the date thereof until the expiration date of the Licensed Trademarks.

Save as disclosed above and in this circular, there was no contract or arrangement subsisting as at the Latest Practicable Date, in which a Director was materially interested and which was significant in relation to the business of the Enlarged Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Enlarged Group (excluding contracts expiring or determinable by the Enlarged Group within one year without payment of compensation, other than statutory compensation).

6. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinion or advice which is contained in this circular:

Name	Qualifications
BDO Limited	Certified Public Accountants
Cushman & Wakefield Limited	Independent professional valuer
Optima Capital	A corporation licensed by the Securities and Futures Commission to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Each of the above experts has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter(s), report(s), opinion and/or references to its names in the form and context in which they respectively appear.

Each of the above experts has further confirmed that as at the Latest Practicable Date, it did not have any shareholding in any member of the Enlarged Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, each of the above experts did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2019 (the date to which the latest published audited consolidated financial statements of the Group were made up).

7. LITIGATION

As at the Latest Practicable Date, to the best of the Directors' knowledge information and belief, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group that would have a material adverse effect on the results of operations or financial conditions of the Enlarged Group.

8. MATERIAL CONTRACTS

Save for the following, there are no material contracts (not being contracts entered into in the ordinary course of business) which were entered into by members of the Enlarged Group within the two years immediately preceding the Latest Practicable Date:

(i) the share purchase agreement dated 23 June 2020 entered into between the Target Company as vendor and Guangdong Fineland Group Co., Ltd.* (廣東方圓集團有限公司) as purchaser in respect of the disposal of 90% equity interests in Guangzhou Fineland Modern Scientific Development Co., Ltd.* (廣州方圓現代科創發展有限公司) for a consideration of approximately RMB10,000,000;

(ii) the share purchase agreement dated 23 June 2020 entered into between the Target Company as vendor and Guangdong Fineland Group Co., Ltd.* (廣東方圓集團有限公司) as purchaser in respect of the disposal of the entire equity interests in Guangzhou Fineland Apartments Investment Co., Ltd.* (廣州方圓公寓投資有限公司) for a consideration of approximately RMB4,780,000;

(iii) the share purchase agreement dated 30 June 2020 entered into between the Target Company as vendor and Guangdong Daoyuan Investment Consultancy Co., Ltd.* (廣東道源投資諮詢有限公司) as purchaser in respect of the disposal of 95.45% limited partnership interests in Zhuhai Lexin Investment Partnership Business (Limited Partnership)* (珠海市樂鑫投資合夥企業(有限合夥)) for a consideration of approximately RMB24,570,000;

(iv) the share purchase agreement dated 30 June 2020 entered into between the Target Company as vendor and Guangdong Daoyuan Investment Consultancy Co., Ltd.* (廣東道源投資諮詢有限公司) as purchaser in respect of the disposal of 28.169% limited partnership interests in Guangzhou Daxin Health Production Investment Centre (Limited Partnership)*(廣州達新健康產業投資中心(有限合夥)) for a consideration of approximately RMB8,050,000;

(v) the share purchase agreement dated 20 August 2020 entered into between Zhuhai Fineland Modern Technology Investment Co., Ltd.* (珠海方圓現代科技投資有限公司) as vendor and Guangdong Fineland Group Co., Ltd.* (廣東方圓集團有限公司) as purchaser in respect of the disposal of 13.20% equity interests in Guangzhou Kapa Network Technology Co., Ltd.* (廣州卡趴網絡科技有限公司) for a consideration of approximately RMB3,570,000;

(vi) the property sale and purchase agreement dated 27 July 2020 entered into between the Target Company as vendor and Guangzhou Monterey Trading Co., Ltd.* (廣東蒙特利貿易有限公司) as purchaser in respect of the disposal of property situated in Guangzhou for a consideration of approximately RMB115,585,000; and

(vii) the Share Purchase Agreement.

9. GENERAL

(i) The registered office of the Company is situated at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1–1108, Cayman Islands and its principal place of business in Hong Kong is at Unit B, 17/F United Centre, 95 Queensway, Admiralty, Hong Kong.

(ii) The Company's principal share registrar and transfer office in the Cayman Islands is Ocorian Trust (Cayman) Limited, at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1–1108, Cayman Islands.

(iii) The Company's Hong Kong branch share registrar and transfer office is Computershare Hong Kong Investor Services Limited, at Shops 1712–16, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(iv) The company secretary of the Company is Mr. TSO Ping Cheong, Brian, who is a member and a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants, an associate and a fellow of the Hong Kong Institute of Chartered Secretaries, and an associate and a fellow of the Institute of Chartered Secretaries and Administrators.

(v) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company at Unit B, 17/F United Centre, 95 Queensway, Admiralty, Hong Kong during normal business hours from the date of this circular up to and including the date of the EGM:

(i) the memorandum and the articles of association of the Company;

(ii) the letter from the Board, the text of which is set out on pages 11 to 45 of this circular;

(iii) the letter from the Independent Board Committee, the text of which is set out on pages 46 to 47 of this circular;

(iv) the letter from the Independent Financial Adviser, the text of which is set out on pages 48 to 97 of this circular;

(v) the accountants' report on the Target Group set out in Appendix II to this circular;

(vi) the accountants' report on the compilation of the unaudited pro forma financial information on the Enlarged Group set out in Appendix IV to this circular;

(vii) the written consents referred to in the section headed "6. Experts and Consents" in this appendix;

(viii) the material contracts referred to in the section headed "8. Material Contracts" in this appendix;

(ix) the 2020 Master Property Management Services Agreements;

(x) the Trademark Licensing Agreements;

(xi) the valuation report prepared by the Valuer for the appraisal of the market value as at 31 July 2020 of 66.3111% equity interests in the Target Company;

(xii) the annual reports of the Company containing the audited consolidated financial statements of the Group for the years ended 31 December 2017, 2018 and 2019 and the interim report of the Company containing the unaudited consolidated financial statements of the Group for the six months ended 30 June 2020; and

(xiii) this circular and the Company's circular dated 5 October 2020 in relation to, amongst others, the renewal of continuing connected transactions contemplated under the renewal master agency service agreement dated 3 September 2020 entered into between the Company and Fineland Group Holdings.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of Fineland Real Estate Services Group Limited (the "**Company**") will be held at 3:00 p.m. on 28 December 2020 at 11th Floor, No. 28 Tiyu East Road, Tianhe District, Guangzhou, the PRC for the following purpose:

ORDINARY RESOLUTION

1. To consider, and if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

   "**THAT**:

   (a) the Share Purchase Agreement (as defined in the circular of the Company dated 3 December 2020 (the "**Circular**") entered into between Guangzhou Fangrun Property Agency Limited (廣州方潤房地產代理有限公司) as the Purchaser, Guangzhou Leguan Investment Co., Ltd. (廣州市樂冠投資有限公司) as Vendor A, and Dongling Grain (HK) Co., Limited (東淩糧油(香港)有限公司) as Vendor B, a copy of which is tabled at the meeting and marked "A" and signed by the chairman of the meeting for the purpose of identification, pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, approximately 66.31% of the equity interests in Guangzhou Fineland E-Life Service Co., Ltd. (廣州方圓現代生活服務股份有限公司) (the "**Proposed Acquisition**") and all transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

   (b) any one of the directors of the Company be and is hereby authorised to take such actions and execute such documents for and on behalf of the Company as he or she may consider appropriate and expedient to carry out or give effect to or otherwise in connection with or in relation to the Proposed Acquisition."

2. "**THAT** subject to and conditional upon the passing of ordinary resolution 1 in this notice:

   (a) the 2020 FGH Master Property Management Services Agreement (as defined in the Circular), a copy of which is tabled at the meeting and marked "B" and signed by the chairman of the meeting for the purpose of identification) to be entered into between the Company and Fineland Group Holdings Company Limited (方圓集團控股有限公司) and the transactions contemplated therein be and are hereby approved, confirmed and ratified;

   (b) the 2020 FE Master Property Management Services Agreement (as defined in the Circular), a copy of which is tabled at the meeting and marked "C" and signed by the chairman of the meeting for the purpose of identification) to be entered into between the Company and Guangdong Fineland Education Investment Limited (廣東方圓教育投資有限公司) and the transactions contemplated therein be and are hereby approved, confirmed and ratified;

   (c) the Proposed Annual Caps for the period from the completion of the Proposed Acquisition up until 31 December 2023 (as set out in the Circular) be and are hereby approved; and

   (d) any one of the directors of the Company be and is hereby authorised to take such actions and execute such documents for and on behalf of the Company as he or she may consider appropriate and expedient to carry out or give effect to or otherwise in connection with or in relation to the 2020 Master Property Management Services Agreements and the transactions contemplated therein (including the Proposed Annual Caps)."

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

Hong Kong, 3 December 2020

Notes:

1. A member of the Company entitled to attend and vote at the EGM (and any adjournment of such meeting) shall be entitled to appoint one or if he is a holder of two or more shares of the Company, more than one, proxies to attend and vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM. Completion and return of the form of proxy will not preclude a member of the Company from attending the EGM and voting in person should he so wish. In such event, his form of proxy will be deemed to have been revoked.

2. Where there are joint registered holders of any shares of the Company, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

3. A form of proxy for the EGM is enclosed. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 17M, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 48 hours before the time for holding the EGM or any adjournment thereof.

4. To ascertain the members' entitlement to attend and vote at the meeting, the register of members of the Company will be closed from 22 December 2020 to 28 December 2020 (both days inclusive), during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on 21 December 2020.

5. Members of the Company or their proxies shall produce documents of their proof of identity when attending the EGM.

6. If Typhoon Signal No. 8 or above, or a "black"rainstorm warning is in effect any time after 7:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will post an announcement on the website of Company at www.finelandassets.com and on the HKExnews website of the Stock Exchange at www.hkexnews.hk to notify shareholders of the date, time and place of the rescheduled meeting.

7. Considering the outbreak of the coronavirus (COVID-19), certain measures will be implemented at the EGM with a view to addressing the risk to attendees of infection, including, without limitation, (i) all attendees being required to (a) undergo compulsory body temperature check; and (b) wear surgical masks prior to admission to the EGM venue; (ii) all attendees being required to wear surgical masks throughout the EGM; (iii) each attendee being assigned a designated seat at the time of registration to ensure social distancing; and (iv) no refreshment packs or coffee/tea being provided.

   The Company reminds attendees that they should carefully consider the risks of attending the EGM, taking into account their own personal circumstances. The Company will keep the evolving COVID-19 situation under review and may implement additional measures which it will announce closer to the date of the EGM (if any).

As at the date of this notice, 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.