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**FINELAND REAL ESTATE SERVICES
GROUP LIMITED**

方圓房地產服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8376

THIRD QUARTERLY REPORT **2018**

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

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

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

HIGHLIGHTS

- The Group recorded revenue of approximately RMB144.6 million for the nine months ended 30 September 2018 for (the nine months ended 30 September 2017: approximately RMB106.6 million).
- Profit attributable to owners of the Company for the nine months ended 30 September 2018 amounted to approximately RMB11.7 million, while loss attributable to owners of the Company for the nine months ended 30 September 2017 was approximately RMB9.8 million.
- The Directors do not recommend the payment of any dividend for the nine months ended 30 September 2018.

THIRD QUARTERLY RESULTS

The Board of Directors of the Company (the "Board") hereby reports the unaudited condensed consolidated financial results of the Company and its subsidiaries (the "Group") for the nine months ended 30 September 2018 (the "Period") with the unaudited comparative figures for the nine months ended 30 September 2017.

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

For the nine months ended 30 September 2018

	Notes	Nine months ended 30 September	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Revenue	3	144,645	106,576
Other income and gains		3,361	359
Employee benefit expenses		(73,562)	(63,641)
Advertising, promotion and other commission expenses		(44,374)	(26,573)
Operating lease charges in respect of office and shop premises		(9,363)	(6,653)
Depreciation of property, plant and equipment		(1,006)	(512)
Other operating expenses		(3,315)	(3,979)
Listing expenses		–	(14,225)
Profit/(loss) before income tax		16,386	(8,648)
Income tax	4	(4,736)	(1,119)
Profit/(loss) for the period		11,650	(9,767)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations:		(2,250)	324
Total comprehensive income for the period		9,400	(9,443)
		RMB cents	RMB cents
Earnings/(loss) per share			
— Basic and diluted	6	2.91	(3.26)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine months ended 30 September 2018

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
As at 1 January 2017	–	–	5,987	5,736	–	18,689	30,412
Issue of shares	– [^]	–	–	–	–	–	–
Allotment of shares	– [^]	–	–	–	–	–	–
Issue of shares under share offer and placing	851	66,355	–	–	–	–	67,206
Share issue expenses	–	(12,126)	–	–	–	–	(12,126)
Capitalisation issue	2,552	(2,552)	–	–	–	–	–
	3,403	51,677	–	–	–	–	55,808
Loss for the year	–	–	–	–	–	(6,645)	(6,645)
Exchange differences on translation of foreign operations	–	–	–	–	512	–	512
Total comprehensive income for the year	–	–	–	–	512	(6,645)	(6,133)
Profit appropriations to statutory reserve	–	–	–	273	–	(273)	–
As at 31 December 2017 and 1 January 2018	3,403	51,677	5,987	6,009	512	11,771	79,359
Profit for the period	–	–	–	–	–	11,650	11,650
Exchange differences on translation of foreign operations	–	–	–	–	(2,250)	–	(2,250)
Total comprehensive income for the period	–	–	–	–	(2,250)	11,650	9,400
As at 30 September 2018	3,403	51,677	5,987	6,009	(1,738)	23,421	88,759

[^] The balance represents amount less than RMB1,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated as an exempted company in the Cayman Islands with limited liability on 16 February 2017. The address of its registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located at 9/F, Wah Yuen Building, 149 Queen's Road Central, Central, Hong Kong. On 15 November 2017, the shares of the Company (the "Shares") were listed on GEM of the Stock Exchange (the "Listing").

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the provision of real estate agency services, online property referral and agency services, property research and consultancy services and integrated services in the People's Republic of China (the "PRC").

The immediate holding company and ultimate holding company of the Company are Mansion Green Holdings Limited ("Mansion Green") and Widethrive Investments Limited ("Widethrive Investments"), respectively, companies incorporated in the British Virgin Islands (the "BVI") with limited liability.

2. BASIS OF PREPARATION

(a) Statement of compliance

These unaudited condensed financial statements have been prepared in accordance with all applicable HKFRSS, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the GEM Listing Rules.

The accounting policies and basis of preparation used in preparation of the unaudited condensed consolidated results are consistent with those used in the Company's annual financial statements for the year ended 31 December 2017 (the "2017 Financial Statements"), except for the new and revised Hong Kong Financial Reporting Standards, amendments and interpretation (collectively "new and revised HKFRSS") issued by HKICPA which have become effective in the period as detailed in note 2 of the 2017 Financial Statements.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

3. REVENUE

	Nine months ended 30 September	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Real estate agency service income	95,856	66,565
Online property referral and agency service income	46,542	37,720
Property research and consultancy service income	1,589	906
Integrated services income	658	1,385
	144,645	106,576

4. INCOME TAX

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

	Nine months ended 30 September	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Current tax — PRC Enterprise Income Tax ("EIT")	4,736	1,119

- (i) No Hong Kong profits tax has been provided as the Group has no estimated assessable profits arising in Hong Kong for the current and prior years.
- (ii) Provision for the PRC EIT is calculated at a statutory tax rate of 25% (2017: 25%) of the estimated assessable profit as determined in accordance with the relevant EIT law in the PRC.

5. DIVIDEND

The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2018 (2017: nil).

6. EARNINGS/(LOSS) PER SHARE

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

	Nine months ended 30 September	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Profit/(loss) for the period	11,650	(9,767)
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share (Note)	400,000,000	300,000,000

Diluted earnings/(loss) per share are the same as basic earnings/(loss) per share as there were no potential dilutive ordinary shares outstanding for the nine months ended 30 September 2017 and 2018.

BUSINESS REVIEW AND OUTLOOK

The Group engages in property intermediary services, with a focus mainly on Guangzhou and also elsewhere in the Pearl River Delta. Since the successful listing on GEM of the Stock Exchange on 15 November 2017 by share offer, there has been no significant change in the business operations.

For the nine months ended 30 September 2018, the Group recorded total revenue of approximately RMB144.6 million, representing an increase by approximately RMB38.1 million or approximately 35.7%, from RMB106.6 million for the nine months ended 30 September 2017. The increase is mainly due to the expansion of real estate agency services, in particular primary property real estate agency services, and online property referral agency services in the Pearl River Delta. Since the acquisition of Fangyuanbao, the online property referral and agency services platform, in May 2016, the business has been developed to one major service segment, and revenue generated by this segment increased from approximately RMB7.4 million for 2016, representing 7.0% of total revenue, to approximately RMB39.5 million for 2017, representing 23.8% of total revenue, to approximately RMB46.5 million for the nine months ended 30 September 2018, representing 32.2% of total revenue. The reason behind the significant increase is mainly due to the effect of regulatory control on the real estate industry. The real estate industry in mainland China has experienced a phase of regulatory control encompassing home purchase restrictions, mortgage restrictions, sales restrictions, credit facilities, land purchases, commercial housing and provident fund loans. These regulatory controls have also spread progressively into different cities. Real estate developers are more willingly to pay higher commission to accelerate property sales, especially for projects located in tier two and tier three cities.

After the entry of Qingyuan and Huizhou markets in 2017, and Leizhou in Zhanjiang and Zhaoqing in the first half of 2018, the Group has further entered Heyuan market. Besides strengthening the foothold in the existing regions, the Group is actively seeking opportunities in other cities of the Greater Bay Area. Looking ahead to the last quarter of the year, the implementation of austerity measures for the property market is expected to continue, although such regulations may be relaxed for mortgage rates. Moreover, it is expected that the continued development in the Greater Bay Area will offer various benefits, boost the overall housing demand and provide support to the steady rise of property prices. This trend will be beneficial to the Group's sustainable development in the long term.

FINANCIAL REVIEW

Revenue

Revenue for the nine months ended 30 September 2018 was approximately RMB144.6 million, representing an increase of approximately 35.7% compared to approximately RMB106.6 million for the nine months ended 30 September 2017. Such increase was primarily attributable to i) the increase in revenue generated from real estate agency services of approximately RMB29.3 million, which were in turn primarily driven by the increase in number of projects for the Group's primary market real estate agency services; and ii) the increase in revenue generated from online property referral and agency services of approximately RMB8.8 million which were in turn primarily driven by an increase in transaction volume and higher commission rates.

Employee benefit expenses

Employee benefit expenses increased by 15.6% to approximately RMB73.6 million for the nine months ended 30 September 2018 from approximately RMB63.6 million for the nine months ended 30 September 2017. This increase corresponded with the increase in agency services provided by the Group's employees, and hence the related employee benefit expenses increased accordingly.

Operating lease charges

The Group recorded operating lease charges in respect of office and shop premises of approximately RMB9.4 million for the nine months ended 30 September 2018, representing an approximately 40.7% increase compared to the same period in 2017. This is primarily due to the increase in numbers of outlets for the nine months ended 30 September 2018 compared to in the same period in 2017.

Other income and gains

The Group recorded other income and gains of approximately RMB3.4 million for the nine months ended 30 September 2018, compared to RMB0.4 million for the nine months ended 30 September 2017. This sharp increase was due to a government grant of RMB3.0 million.

Advertising, promotion and other commission expenses

The Group recorded approximately RMB44.4 million for advertising, promotion and other commission expenses for the nine months ended 30 September 2018, representing a 67.0% increase compared to RMB26.6 million for the same period in 2017. This increase was primarily due to the development of the online property referral and agency services, where the commission that was split to real estate agents that brought in buyers also increased.

Net Profit Margin

The net profit margin increased to 8.1% for the nine months ended 30 September 2018 as compared to -9.2% for the nine months ended 30 September 2017. This increase was mainly due to (i) expansion of the business with a revenue increase of approximately RMB38.1 million, and (ii) no listing expense in the nine months ended 30 September 2018, while the listing expenses in the nine months ended 30 September 2017, including professional fees and other expenses related to the Listing, was approximately RMB14.2 million.

Profit (loss) for the Period

As a result of the factors discussed above, the Group made a profit before tax for the Period of approximately RMB16.4 million, compared to a loss of approximately RMB8.6 million for the corresponding period in 2017.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct for securities transactions by Directors on terms equivalent to the Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code"). The Company had made specific enquiries with written guidelines in relation to the Model Code to all Directors and all Directors have confirmed that they complied with the required standards set out in the Model Code for the nine months ended 30 September 2018.

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

As at 30 September 2018, the interests or short positions of the Directors and chief executives in the Shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

Long position in the Shares as at the date of this report:

Name	Nature of interest	Total number of shares held	Percentage of shareholding
Mr. Fong Ming ("Mr. Fong")	Interest in controlled corporation ⁽¹⁾	216,000,000	54%
Ms. Tse Lai Wa ("Ms. Tse")	Interest in controlled corporation ⁽¹⁾	216,000,000	54%
Ms. Rong Haiming ("Ms. Rong")	Interest in controlled corporation ⁽²⁾	24,000,000	6%
Mr. Yi Ruofeng ("Mr. Yi")	Interest in controlled corporation ⁽³⁾	9,000,000	2.25%

Notes:

- 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 Group Limited ("Stand Smooth"), Hero Dragon Management Limited ("Hero Dragon"), Fineland Real Estate Holdings Company Limited ("Fineland Real Estate") and Widethrive Investments), and 30% by Aspiring Vision Holdings Limited ("Aspiring Vision"), which is wholly-owned by Ms. Tse.
- Shares are held by Metropolitan Dawn Holdings Limited ("Metropolitan Dawn"), which is wholly-owned by Ms. Rong.
- Shares are held by Totoro Holding Limited, which is wholly-owned by Mr. Yi.

Save as disclosed above, 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 the Model Code.

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

As at 30 September 2018, the following persons (other than Directors or chief executive of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules:

Long Positions in Shares:

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

Notes:

- 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.
- 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.
- 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.
- 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 direct wholly-owned by Ms. Tse, and as to 70% by Stand Smooth. Stand Smooth is wholly owned by Hero Dragon, which is wholly-owned by Fineland Real Estate, which in turn is wholly owned by Widethrive Investments, and ultimately wholly-owned by Mr. Fong. Accordingly, Widethrive Investments, Fineland Real Estate, Hero Dragon, Stand Smooth, Aspiring Vision, Mr. Fong and Ms. Tse are therefore deemed to be interested in the same number of Shares as to which Mansion Green is interested under the SFO.
- Metropolitan Dawn is the registered owner of 24,000,000 Shares, representing 6% of the issued share capital of the Company. Metropolitan Dawn is wholly-owned by Ms. Rong. Ms. Rong is therefore deemed to be interested in the same number of Shares as to which Metropolitan Dawn is interested under the SFO.

Save as disclosed above, as at 30 September 2018, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' and Chief Executives' Interests or Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the nine months ended 30 September 2018 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the directors and chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the Shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

CHANGE IN DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change in Directors' information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of rule 17.50(2) is as follows:

Mr. Leung Wai Hung has ceased to be the financial controller of Shougang Concord International Enterprises Company Limited, a company listed in the Stock Exchange (stock code: 697), since 1 July 2018.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities on the Stock Exchange or any other Stock Exchange, by private arrangement, or by way of grant offer, during the nine months ended 30 September 2018.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 23 October 2017. As at 30 September 2018, no option had been granted, agreed, exercised, cancelled or lapsed under the Scheme, and there was no share option outstanding.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board has reviewed the Group's corporate governance practices and is satisfied that during the nine months ended 30 September 2018, the Company had complied with all the code provisions set out in the Appendix 15 Corporate Governance Code and Corporate Governance Report of the GEM Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The Directors are not aware of any business or interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates that competes or may compete, directly or indirectly, with the Group's business and any other conflicts of interest which any such person has or may have with the Group during the nine months ended 30 September 2018.

INTEREST OF THE COMPLIANCE ADVISER

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

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 September 2018 and up to the date of this report.

REVIEW BY AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 23 October 2017 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules. The primary duties of the Audit Committee are to assist the Board in reviewing and supervising the financial reporting process and internal control system of the Group. At present, the Audit Committee consists of three members who are Mr. Leung Wai Hung, Mr. Tian Qiusheng and Mr. Du Chenhua. Mr. Leung Wai Hung has been appointed as the chairman of the Audit Committee.

The unaudited third quarterly results of the Group for the nine months ended 30 September 2018 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited third quarterly results comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the nine months ended 30 September 2018.

DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2018 (nine months ended 30 September 2017: nil).

APPRECIATION

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

By Order of the Board

Mr. Fong Ming

Chairman

Hong Kong, 7 November 2018

As at the date of this report, the executive Directors are Ms. Rong Haiming, Mr. Yi Ruofeng and Ms. Tse Lai Wa; the non-executive Director is Mr. Fong Ming; and the independent non-executive Directors are Mr. Leung Wai Hung, Mr. Liao Junping, Mr. Tian Qiusheng and Mr. Du Chenhua.