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FIRST
QUARTERLY
REPORT
2020



**FINELAND REAL ESTATE SERVICES
GROUP LIMITED**

方圓房地產服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8376

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

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

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

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

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

HIGHLIGHTS

- The Group recorded revenue of approximately RMB68.0 million for the three months ended 31 March 2020 (the three months ended 31 March 2019: approximately RMB68.5 million).
- Profit attributable to owners of the Company for the three months ended 31 March 2020 amounted to approximately RMB3.3 million (the three months ended 31 March 2019: approximately RMB4.6 million).
- The Directors do not recommend the payment of any dividend for the three months ended 31 March 2020 (the three months ended 31 March 2019: Nil).

FIRST 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 for the three months ended 31 March 2020 (the “Period”) with the unaudited comparative figures for the three months ended 31 March 2019.

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

For the three months ended 31 March 2020

	Notes	Three months ended 31 March	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	3	68,004	68,526
Other income and gains		884	457
Employee benefit expenses		(22,587)	(23,920)
Advertising, promotion and other commission expenses		(37,522)	(32,916)
Operating lease charges in respect of short term leases		(1,011)	–
Depreciation of property, plant and equipment		(217)	(297)
Depreciation of right-of-use assets		(1,044)	–
Expected credit loss on financial assets		(45)	–
Other operating expenses		(1,704)	(5,297)
Listing expenses		(473)	–
Finance costs		(122)	–
Profit before income tax		4,163	6,553
Income tax	4	(806)	(2,005)
Profit for the period		3,357	4,548
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations:		(450)	538
Total comprehensive income for the period		2,907	5,086
Profit attributable to:			
Owners of the Company		3,308	4,564
Non-controlling interests		49	(16)
		3,357	4,548
Total comprehensive income attributable to:			
Owners of the Company		2,858	5,102
Non-controlling interests		49	(16)
Total comprehensive income for the period		2,907	5,086
		RMB cents	RMB cents
Earnings per share			
— Basic and diluted	6	0.83	1.14

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY*For the three months ended 31 March 2020*

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Equity attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2020	3,403	51,677	5,987	7,982	(3,079)	62,080	128,050	545	128,595
Profit for the period	-	-	-	-	-	3,308	3,308	49	3,357
Exchange differences on translation of foreign operations	-	-	-	-	(450)	-	(450)	-	(450)
Total comprehensive income for the period	-	-	-	-	(450)	3,308	2,858	49	2,907
As at 31 March 2020	3,403	51,677	5,987	7,982	(3,529)	65,388	130,908	594	131,502
As at 1 January 2019	3,403	51,677	5,987	6,782	(2,678)	41,115	106,286	(1)	106,285
Profit for the period	-	-	-	-	-	4,564	4,564	(16)	4,548
Exchange differences on translation of foreign operations	-	-	-	-	538	-	538	-	538
Total comprehensive income for the period	-	-	-	-	538	4,564	5,102	(16)	5,086
Capital injected by non-controlling interest	-	-	-	-	-	-	-	98	98
As at 31 March 2019	3,403	51,677	5,987	6,782	(2,140)	45,679	111,388	81	111,469

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. The address of its registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located at 9/F, Wah Yuen Building, 149 Queen's Road Central, Central, Hong Kong. Its shares were listed on GEM of the Stock Exchange on 15 November 2017.

The principal activities of the Group are the provision of real estate agency services, property research and consultancy and integrated services in the People's Republic of China (the "PRC").

The immediate holding company and ultimate holding company of the Company are Mansion Green Holdings Limited ("Mansion Green") and Widethrive Investments Limited ("Widethrive Investments"), respectively, which are 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 Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs"). 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 Group's annual financial statements for the year ended 31 December 2019 (the "2019 Financial Statements") except for the changes in accounting policies resulting from the adoption of new and amended HKFRSs which are relevant to the Group and effective in this Period as detailed in note 2 to the 2019 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

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

	Three months ended 31 March	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue from customers recognised at a point in time:		
Real estate agency service income (including online property referral and agency service income*)	67,482	68,418
Property research and consultancy service income	140	28
Integrated services income	382	80
	68,004	68,526

* Online property referral and agency service income amounted to approximately RMB47,593,000 (three months ended 31 March 2019: RMB44,392,000).

4. INCOME TAX

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

	Three months ended 31 March	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current tax — PRC Enterprise Income Tax ("EIT")	806	2,005

- (i) No Hong Kong profits tax has been provided as the Group has no estimated assessable profits arising in Hong Kong for the current and prior periods.
- (ii) Provision for the PRC EIT is calculated at a statutory tax rate of 25% (2019: 25%) of the estimated assessable profit as determined in accordance with the relevant EIT law in the PRC.

5. DIVIDEND

The Directors do not recommend the payment of a dividend for the three months ended 31 March 2020 (2019: Nil).

6. EARNINGS PER SHARE

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

	Three months ended 31 March	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Profit for the period attributable to the owners of the Company	3,308	4,564
Weighted average number of ordinary shares in issue during the period for the purpose of basic earnings per share	400,000,000	400,000,000

Diluted earnings per share are the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding for the three months ended 31 March 2019 and 2020.

BUSINESS REVIEW AND OUTLOOK

The Group engages in provision of property intermediary services, including real estate agency services (which includes the online property referral and agency services), property research and consultancy services, and integrated services, with a focus mainly in Guangzhou and also elsewhere in the Greater Bay Area. Since the successful listing on GEM of the Stock Exchange on 15 November 2017 by share offer, there has been no significant change in its business operations. On 3 October 2019, the Group submitted a formal application for a transfer of listing from GEM to the Main Board of the Stock Exchange. On 9 April 2020, the Group submitted a formal renewal application for the Transfer of Listing.

For the three months ended 31 March 2020, the Group recorded total revenue of approximately RMB68.0 million, representing a decrease by approximately RMB0.5 million or approximately 0.8%, from RMB68.5 million for the three months ended 31 March 2019. The decrease is mainly due to the decrease in revenue generated from real estate agency services of approximately RMB0.9 million. The COVID-19 outbreak caused some potential property buyers to halt or delay their plans to look for properties, and the transaction process also took longer than usual to complete, which was in turn reflected in terms of transaction volume.

As channeling (referring to bringing in buyers through real estate agents, outlets and other non-traditional methods) has become a main driving force in the real estate agency industry, with over 50% of transactions sourced through channeling, and the Group's online property referral and agency services has increased in popularity and contributes a major part of its revenue, the Group will continually develop this service segment along with other real estate agency services. This service segment was also less susceptible to negative impacts of the COVID-19 outbreak as potential purchasers chose, or were required, to use online platforms to reduce physical contact or in-person meetings.

Since the COVID-19 outbreak, Guangdong Province and other cities in the Greater Bay Area where the Group has operations have put in place policies to mitigate the impact of COVID-19 on the real estate market, such as promoting on-line property title registration to avoid face-to-face contact, waiving real estate tax and land use tax for affected industries, and waiving interest charged for late payment of land grant fees in order to support the resumption of operations of companies in the real estate market. The People's Bank of China has lowered the loan prime rate twice since the outbreak, and the loan prime rate for 5-years and longer is now at the lowest in history at 4.65%. There have also been signs that COVID-19 has been effectively contained, and the real estate market is expected to pick up gradually from the second quarter of 2020 and with efforts of all walks of life and the government, it is anticipated that the impact will diminish eventually.

FINANCIAL REVIEW

Revenue

Revenue for the three months ended 31 March 2020 was approximately RMB68.0 million, representing a decrease of approximately 0.8% compared to approximately RMB68.5 million for the three months ended 31 March 2019. This decrease was due to the decrease in revenue generated from real estate agency services of approximately RMB0.9 million. This overall decrease was primarily driven by the decrease in transaction volume due to the outbreak of COVID-19 and the resulting restrictions in activities.

Employee benefit expenses

Employee benefit expenses decreased by 5.6% to approximately RMB22.6 million for the three months ended 31 March 2020 from approximately RMB23.9 million for the three months ended 31 March 2019. This decrease is mainly due to the decrease in numbers of total employees hired during the Period from over 700 as of 31 March 2019 to about 600 as of 31 March 2020.

Advertising, promotion and other commission expenses

The Group recorded approximately RMB37.5 million for advertising, promotion and other commission expenses for the three months ended 31 March 2020, representing a 14.0 % increase compared to RMB32.9 million for the three months ended 31 March 2019. This increase was primarily due to the increase in revenue from the online property referral and agency services, resulting in an increase in the commission that was split to real estate agents that brought in buyers, which was recorded under advertising, promotion and other commission expenses.

Other operating expenses

The Group recorded other operating expenses of approximately RMB1.7 million for the three months ended 31 March 2020, representing a decrease of 67.8% compared to approximately RMB5.3 million for the three months ended 31 March 2019, which was mainly driven by a decrease in office expenditures, business travelling fees and exchange loss.

Net Profit Margin

The net profit margin decreased to 4.9% for the three months ended 31 March 2020 as compared to 6.6% for the three months ended 31 March 2019. This decrease was mainly due to the increase in advertising, promotion and other commission expenses and listing expenses for the Group's transfer application from GEM to the Main Board.

Profit for the Period

As a result of the factors discussed above, the Group recorded a profit for the Period of approximately RMB3.4 million, compared to approximately RMB4.5 million for the three months ended 31 March 2019.

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 three months ended 31 March 2020.

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

As at 31 March 2020, the interests or short positions of the Directors and chief executive in the Shares, underlying shares and debentures of the Company and any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

(i) Long position in the Shares of the Company

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 and a legal and beneficial owner ⁽²⁾	24,500,000	6.125%
Mr. YI Ruofeng ("Mr. Yi")	Interest in controlled corporation ⁽³⁾	9,000,000	2.25%

Notes:

- 216,000,000 Shares are registered in the name of Mansion Green, which is held 70% by Mr. Fong's holding companies (including Stand Smooth Group Limited ("Stand Smooth"), Hero Dragon Management Limited ("Hero Dragon"), Finland Group Holdings Company Limited ("Finland Real Estate", formerly known as Finland Real Estate Holdings Company Limited) and Widethrive Investments) and 30% by Aspiring Vision Holdings Limited ("Aspiring Vision"), which is wholly-owned by Ms. Tse.
- 24,000,000 shares are held by Metropolitan Dawn Holdings Limited ("Metropolitan Dawn"), which is wholly-owned by Ms. Rong. Ms. Rong purchased 500,000 Shares from the market in August 2019, after which Ms. Rong is interested in a total of 24,500,000 Shares, representing 6.125% of the entire issued share capital of the Company.
- Shares are held by Totoro Holding Limited, which is wholly-owned by Mr. Yi.

(ii) Associated corporation

Apart from the foregoing, as at 31 March 2020, none of the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise, notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 March 2020, the following persons (other than Directors or chief executive of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules:

Long Positions in Shares:

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

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.
- 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.
- 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.
- Mansion Green is the registered owner of 216,000,000 Shares, representing 54% of the issued share capital of the Company. Mansion Green is owned as to 30% by Aspiring Vision, which is in turn wholly-owned by Ms. Tse, and as to 70% by Stand Smooth. Stand Smooth is wholly owned by Hero Dragon, which is wholly-owned by Fineland Real Estate, which in turn is wholly owned by Widethrive Investments, and ultimately wholly-owned by Mr. Fong. Accordingly, Widethrive Investments, Fineland Real Estate, Hero Dragon, Stand Smooth, Aspiring Vision, Mr. Fong and Ms. Tse are therefore deemed to be interested in the same number of Shares as to which Mansion Green is interested under the SFO.
- Metropolitan Dawn is the registered owner of 24,000,000 Shares, representing 6% of the issued share capital of the Company. Metropolitan Dawn is wholly-owned by Ms. Rong. Ms. Rong is therefore deemed to be interested in the same number of Shares as to which Metropolitan Dawn is interested under the SFO.

Save as disclosed above, as at 31 March 2020, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares and debentures which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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 three months ended 31 March 2020 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the directors and chief executive of the Company (including their respective spouses and children under 18 years of age) to acquire benefits by means of the acquisition of the Shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities on the Stock Exchange or any other Stock Exchange, by private arrangement, or by way of grant offer, during the three months ended 31 March 2020.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Scheme**") on 23 October 2017. As at 31 March 2020, no option had been granted, agreed, exercised, cancelled or lapsed under the Scheme, and there was no share option outstanding.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board has reviewed the Group's corporate governance practices and is satisfied that during the three months ended 31 March 2020, 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' AND CONTROLLING SHAREHOLDERS' 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 three months ended 31 March 2020.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2020 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 which were revised and adopted on 15 February 2019 in compliance with Rules 5.28 and 5.29 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 first quarterly results of the Group for the three months ended 31 March 2020 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited first 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 three months ended 31 March 2020.

DIVIDEND

The Board does not recommend the payment of a dividend for the three months ended 31 March 2020 (three months ended 31 March 2019: Nil).

APPRECIATION

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

By Order of the Board
Mr. FONG Ming
Chairman

Hong Kong, 14 May 2020

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