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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)

BUSINESS UPDATE AND REALLOCATION OF USE OF PROCEEDS

Reference is made to the prospectus of Fineland Real Estate Services Group Limited (the “**Company**“, together with its subsidiaries, the “**Group**”) dated 31 October 2017 (the “**Prospectus**”) in relation to the listing (the “**Listing**”) of the shares of the Company on the GEM of the Stock Exchange by way of share offer (the “**Share Offer**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Prospectus. Reference is also made to the interim report of the Company for the six months ended 30 June 2018 (the “**2018 Interim Report**”), in which the utilisation of the net proceeds from the Share Offer from the date of Listing up to 30 June 2018 was disclosed.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to announce that it has resolved to reallocate the use of the net proceeds from the Share Offer.

USE OF PROCEEDS

As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Company intended to use the net proceeds from the Share Offer for the following purposes:

- approximately 80% to be used for expansion of the secondary and primary market real estate agency services by opening 77 to 117 new outlets, enhancing relationship with property developers and employing 538 to 818 sales staff (“**Expansion Plan for Secondary and Primary Markets**”);
- approximately 6% to be used for expansion of the Integrated Services business segment;
- approximately 4% to be used for enhancing the Group’s brand recognition; and
- approximately 10% for general working capital and general corporate purposes.

Based on the Offer Price of HK\$0.79 per Offer Share, the net proceeds from the Share Offer, after deducting related expenses, amounted to approximately HK\$41.5 million (approximately RMB34.7 million) (the “**Net Proceeds**”). As disclosed in the section headed “Use of proceeds from the Company’s initial public offering” of the 2018 Interim Report, as of 30 June 2018, the Company had utilised approximately RMB8.8 million (approximately HK\$10.5 million), and the remaining balance of the Net Proceeds is approximately RMB25.9 million (approximately HK\$31.0 million).

CHANGE IN USE OF PROCEEDS

In respect of the 80% of the Net Proceeds to be used for the Expansion Plan for Secondary and Primary Markets, having carefully considered the current industry environment and market conditions as described below, the Board resolved to reallocate the use of proceeds by slowing down the pace of opening new outlets and redirecting the resources to capture the growing opportunities in the primary market in Guangzhou and elsewhere in the Pearl River Delta. Details of the original implementation plan and the revised implementation plan for the Expansion Plan for Secondary and Primary Markets are set out below:

Business objective	Allocation and percentage of Net Proceeds (RMB)	Original implementation plan from the Latest Practicable Date up to 31 December 2019 as disclosed in the Prospectus		Revised implementation plan from 1 July 2018 to 31 December 2019	
			Actual progress from the Latest Practicable Date up to 30 June 2018		
Continue to expand our secondary and primary market real estate agency services	27.8 million (80%)	<ul style="list-style-type: none"> Open 77 — 117 additional outlets Employ 538 — 818 employees⁽¹⁾ 	<ul style="list-style-type: none"> Opened 15 new outlets Employed 229 new employees of whom 172 mainly engage in primary market activities and 57 mainly engage in secondary market transactions⁽²⁾ 	<ul style="list-style-type: none"> Open 15 — 30 additional outlets in Guangzhou and elsewhere in the Pearl River Delta Employ 270 — 360 new employees of whom 190 — 240 will mainly engage in primary market activities and 80 — 120 will mainly engage in secondary market transactions⁽²⁾ 	

Business objective	Allocation and percentage of Net Proceeds (RMB)	Original implementation plan from the Latest Practicable Date up to 31 December 2019 as disclosed in the Prospectus	Actual progress from the Latest Practicable Date up to 30 June 2018	Revised implementation plan from 1 July 2018 to 31 December 2019
		<ul style="list-style-type: none"> Engage in direct marketing targeted at property developers 	<ul style="list-style-type: none"> A business development team made up of two employees was set up, who were responsible for promoting the Group's primary market real estate agency services to property developers and procuring primary property projects from them. The business development team successfully obtained more new primary property projects by (i) liaising with property developers which the Group had existing cooperation with to obtain new projects; and (ii) establishing new relationships with property developers by promoting the Group's capabilities and experience in particular regions The primary market real estate agents were able to increase direct marketing efforts to property developers, such as by conducting site visits to assist property developers in formulating sales and marketing plans for their projects, and stationing on-site for property developers to assist and follow-up with potential purchasers 	<ul style="list-style-type: none"> The Group plans to continue expanding the business development team by hiring six additional employees. The business development team will continue to focus on (i) liaising with property developers with whom the Group had previously cooperated to obtain new projects; and (ii) establishing new relationships with property developers by promoting the Group's capabilities and experience in particular regions The primary market real estate agents will be able to focus on direct marketing to property developers, such as conducting site visits to assist property developers in formulating sales and marketing plans for their projects, and stationing on-site for property developers to assist and follow-up with potential purchasers

Business objective	Allocation and percentage of Net Proceeds (RMB)	Original implementation plan from the Latest Practicable Date up to 31 December 2019 as disclosed in the Prospectus	Actual progress from the Latest Practicable Date up to 30 June 2018	Revised implementation plan from 1 July 2018 to 31 December 2019
				<ul style="list-style-type: none"> Through these primary market real estate agents, the Group also intends to increase direct marketing to property developers by leveraging its capabilities and experience in certain regions where it had previously provided primary real estate agency services

Notes:

- (1) The original plan was to hire 538-818 employees in conjunction with the outlet expansion plan, mainly for engaging in secondary market transactions and others for providing primary real estate agency services.
- (2) Due to intense competition for quality personnel and the Group's desire to hire sales staff with higher requirements for academic qualifications and marketing experience, especially for positions who will engage in direct contact with property developers, such primary market real estate agents generally receive higher salaries than the general secondary market real estate agents.

The Group continues to focus on its principal business which is the provision of real estate agency services. As such, the aggregate allocation of Net Proceeds to the Expansion Plan for Secondary and Primary Markets will remain unchanged, while the implementation plans have been adjusted in response to the changes in the real estate market. The remaining Net Proceeds, which amounted to approximately RMB6.9 million, had been and will continue to be used for the other purposes as set out in the Prospectus.

REASONS FOR THE REALLOCATION IN THE USE OF PROCEEDS

The Group is principally engaged in the provision of property intermediary services and constantly evaluates the environment and market opportunities for real estate agency services in both the primary and secondary property markets. The overall operating environment of the real estate market in Guangzhou and elsewhere in the Pearl River Delta during 2018 has been relatively steady, but the implementation of tightened policies and limitations on purchases and loans have led to a decrease in demand in the secondary property market when compared to the demand in the primary property market. In certain areas of Guangzhou, the sales prices per square metre for secondary properties have exceeded that of primary properties, causing potential buyers to turn to the primary property market. Moreover, more property developers have purchased land and are developing primary property projects in the Greater Bay Area, which refers to, other than Hong Kong

and Macau, nine cities in Guangdong which form part of the Pearl River Delta. These cities, including areas where the Group operates such as Foshan, Huizhou, and Jiangmen, have therefore seen an increase in the supply of primary properties.

Continue increasing primary property projects undertaken by the Group, particularly in cities other than Guangzhou, or in the outskirts of Guangzhou, in the Pearl River Delta

The Group has successfully increased its cooperation with more property developers in providing real estate agency services in the primary property market. The number of primary property projects undertaken by the Group during the six months ended 30 June 2018 has increased by more than 30% when compared to that of the six months ended 30 June 2017. In particular, the number of primary property projects undertaken by the Group in cities other than Guangzhou in the Pearl River Delta (including the Greater Bay Area) grew at a faster rate and accounted for over 50% of the total number of primary property projects undertaken by the Group during the six months ended 30 June 2018. Revenue from primary property market transactions in cities outside Guangzhou in the Pearl River Delta was RMB38.5 million for the six months ended 30 June 2018, compared to RMB26.8 million for primary property market transactions in Guangzhou. The Group expects to continue developing relationships with property developers and undertaking more primary property projects in the Pearl River Delta including the Greater Bay Area. This will require additional primary property sales staff and direct marketing efforts targeted at property developers.

Redistribute resources from expanding the secondary market real estate agency services to further develop the primary market real estate agency services in the Pearl River Delta

The Group has experienced a recent slowdown in the demand for its real estate agency services in the secondary property market in Guangzhou, which the Directors consider to be attributable to (i) the phenomenon that the sales prices per square metre for secondary properties have exceeded that of primary properties in certain areas of Guangzhou, causing potential buyers to turn to the primary property market; (ii) the increase in bank interest rates, resulting in an increase in the cost of mortgages, especially for those properties in Guangzhou with higher purchase prices, which cause prospective purchasers to turn instead to primary properties outside Guangzhou with lower purchase prices; and (iii) the market's general perception that tighter regulatory control in first-tier cities including Guangzhou as compared to other second-tier and third-tier cities will continue to persist. Whilst the Directors consider that the above market developments would impact the short-term fluctuation in demand for secondary properties in Guangzhou, the Directors are still optimistic about the long-term prospects of the secondary property market in Guangzhou as one of the first-tier cities. Having considered the recent increase in the number of primary property projects in the Pearl River Delta undertaken by the Group, the Directors consider that it is in the interests of the Group to redistribute part of the resources from expanding the secondary market real estate agency services to further developing the primary market real estate agency services in the Pearl River Delta in view of the imminent need for additional manpower for the sales and marketing of the newly obtained primary property projects in the Pearl River Delta.

Reduce number of outlets to be opened and number of secondary real estate agents to be hired

Due to the reasons mentioned above, the Directors have decided to down-size the plan on opening of new outlets and employment of secondary property sales staff in Guangzhou and place more focus on expanding the Group's primary market real estate agency services. In particular, the Directors consider that the demand for the Group's primary market real estate agency services in the Pearl River Delta will continue to grow alongside with the increasing supply of primary properties under the development of the Greater Bay Area. The Directors therefore consider that it is necessary to accelerate the business development for primary market real estate agency services in other second and third-tier cities in the Pearl River Delta such as Foshan, Huizhou and Jiangmen in order to capture market opportunities in those areas. The Directors consider increasing geographical diversification of its business to be beneficial for the long-term development of the Group.

Under the prevailing market conditions, the Directors consider that actively building up the Group's relationship with primary property developers engaging in property development in the Pearl River Delta will more effectively improve the profitability of the Group as compared to increasing the number and geographical expansion of the Group's outlet network. The Directors consider that it is necessary to flexibly allocate our financial resources between the business development of real estate agency services in the primary and secondary markets, and the unutilised portions of the Net Proceeds originally earmarked for the opening of new outlets and employment of secondary market real estate agents in Guangzhou will be applied according to the revised implementation plan set out above.

The Board is of the view that the reallocation of use of proceeds is in line with the Group's business strategy to continue to expand the Group's secondary and primary market real estate agency services and will result in a more efficient use of the Net Proceeds. The Board confirms that there is no material change in the nature of Business of the Group as set out in the Prospectus and considers that the reallocation of use of proceeds is in the best interests of the Company and its Shareholders as a whole.

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

Hong Kong, 8 August 2018

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

This announcement, for which the Directors 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 of Hong Kong Limited 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 announcement 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 in this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days from the day of its posting. This announcement will also be published on the website of the Company at www.finelandassets.com.