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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 on GEM: 8376)

(Stock Code on Main Board: 9978)

TRANSFER OF LISTING FROM GEM TO THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Sponsor



Financial Adviser to the Company

Kingsman HK Capital Limited

金仕萬香港資本有限公司

Reference is made to the announcements of the Company dated 3 October 2019 and 9 April 2020 in relation to the formal applications submitted to the Stock Exchange for the Transfer of Listing pursuant to Chapter 9A and Appendix 28 of the Main Board Listing Rules.

On 3 October 2019, a formal application was made by the Company to the Stock Exchange for the Transfer of Listing, and a renewed application was made by the Company on 9 April 2020. The Company has applied for the listing of, and permission to deal in, (i) the 400,000,000 Shares in issue; and (ii) any Shares which may be issued upon the exercise of any share options which may be granted under the Share Option Scheme, by way of transfer of listing from GEM to the Main Board.

The Board is pleased to announce that the approval-in-principle for the Transfer of Listing has been granted by the Stock Exchange on 20 May 2020. The last day of dealings in the Shares on GEM under the existing stock code “8376” will be Wednesday, 27 May 2020. Dealings in the Shares on the Main Board are expected to commence at 9:00 a.m. on Thursday, 28 May 2020. The Shares will be traded on the Main Board under the new stock code “9978”.

All pre-conditions for the Transfer of Listing as set out in Rule 9A.02 of the Main Board Listing Rules have, insofar as applicable, been fulfilled in relation to the Company and its Shares as at the date of this announcement.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for delivery, trading, settlement and registration purposes, and will not involve any transfer or exchange of the existing share certificates. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the share registrars and transfer offices of the Company following the Transfer of Listing.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

TRANSFER OF LISTING OF THE SHARES FROM GEM TO THE MAIN BOARD

Reference is made to the announcements of the Company dated 3 October 2019 and 9 April 2020 in relation to the formal applications submitted to the Stock Exchange for the Transfer of Listing pursuant to Chapter 9A and Appendix 28 of the Main Board Listing Rules.

On 3 October 2019, a formal application was made by the Company to the Stock Exchange for the Transfer of Listing, and a renewed application was made by the Company on 9 April 2020. The Company has applied for the listing of, and permission to deal in, (i) the 400,000,000 Shares in issue; and (ii) any Shares which may be issued upon the exercise of any share options which may be granted under the Share Option Scheme, by way of transfer of listing from GEM to the Main Board.

The Board is pleased to announce that the Stock Exchange has granted its approval in-principle on 20 May 2020 for the Shares to be listed on the Main Board and delisted from GEM according to paragraph 10(7) of Appendix 28 of the Main Board Listing Rules.

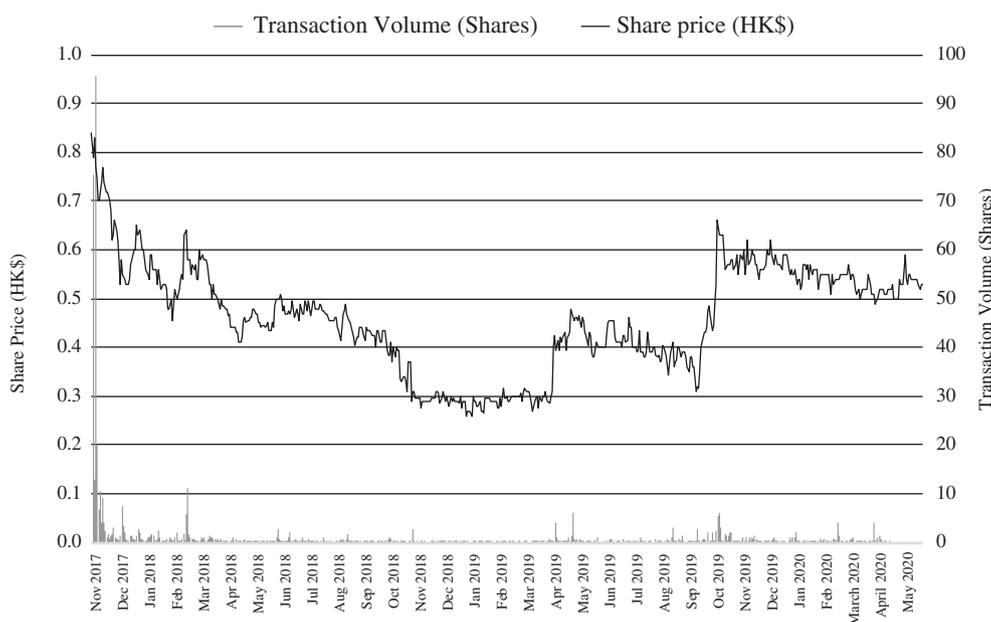
All pre-conditions for the Transfer of Listing as set out in Rule 9A.02 of the Main Board Listing Rules have, insofar as applicable, been fulfilled in relation to the Company and its Shares as at the date of this announcement.

SHARE PRICE MOVEMENT

The price of the Shares has fluctuated since the listing of the Company on GEM by way of public offer and placing on 15 November 2017. The offer price per Share at listing was HK\$0.79. The highest and lowest prices at which the Shares have traded on GEM since 15 November 2017 up to the Latest Practicable Date were HK\$0.84 (i.e. on 15 November 2017) and HK\$0.26 (i.e. on 27 December 2018 and 1 March 2019), respectively. During the aforesaid period, the price per Share had raised by a maximum of approximately 6.3% (by comparing the offer price at listing and the highest price) and decreased to a minimum of approximately 67.1% (by comparing the offer price at listing and the lowest price).

The Shares had been consistently trading around HK\$0.30 since November 2018, and experienced a sudden increase by 29.0% from HK\$0.31 to HK\$0.40 on 2 April 2019. In addition, the Shares had been consistently trading below HK\$0.50 since April 2018 and experienced a sudden increase by 8.2% from HK\$0.49 on 24 September 2019 to HK\$0.53 on 25 September 2019, and further increased by 24.5% to HK\$0.66 on 26 September 2019. Having made reasonable enquiries, the Directors confirm that they were not aware of any particular reasons for, and the circumstances leading to the significant increase in the Company's share price on 2 April 2019 and during the period from 24 to 26 September 2019 or to any other movements of the share price or trading volume. The share price may continue to be volatile upon listing on the Main Board.

The following chart sets forth the volatility of the price and trading volume of the Shares since the Shares have been listed on the GEM and up to the Latest Practicable Date:



REASONS FOR THE TRANSFER OF LISTING

The Company has been listed on GEM since 15 November 2017. The Group is a property intermediary services provider in the PRC, with a focus mainly in Guangzhou and elsewhere in the Greater Bay Area, providing services through three main business segments, namely (i) real estate agency services (including the Online Referral Platform services); (ii) property research and consultancy services; and (iii) Integrated Services. Further details of the principal activities of the Group are set out in the section headed “Summary of the Group’s business” in this announcement.

Following the amendments to the Main Board Listing Rules and GEM Listing Rules in February 2018, the Stock Exchange positioned the Main Board as a “premier board” and re-positioned GEM as a standalone board. Companies listed on the Main Board have been perceived to enjoy a more enhanced status by investors as compared to GEM and the Directors expect that the Main Board will continue to bolster the market’s confidence and attract capital from a diverse range of investors. The Directors believe that the Company has gained public recognition and an enhanced profile from its GEM Listing. Since the

GEM Listing, the Company has expanded its customer base and has grown in number of projects undertaken, revenue and profitability. For instance, the number of projects from independent customers to whom the Group provides primary real estate agency services (including Online Referral Platform services) had increased from 186 in 2017 to 205 in 2019. To the best knowledge and belief of the Directors upon due inquiry, some of these customers approached the Group based on its reputation as a listed company in Hong Kong. The Board is of the view that the Transfer of Listing will reinforce the Company's corporate governance and credibility, and further promote the Company's corporate profile and recognition among public investors, resulting in a larger investor base and higher trading liquidity of the Shares. Also, the Transfer of Listing will allow the Group to solidify its position in the industry and enhance its competitive strengths in retaining and attracting professional staff and customers. Therefore, the Directors are of the view that the Transfer of Listing will be beneficial to the future growth, financing flexibility, and business development of the Group, which will create long-term value to the Shareholders.

The Transfer of Listing will not involve any issue of new Shares by the Company. As at the date of this announcement, the Board does not contemplate any material change in the nature of the business activities of the Group following the Transfer of Listing.

DEALINGS IN THE SHARES ON THE MAIN BOARD

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from 15 November 2017, the date on which the Shares were first listed on GEM. Subject to the continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance, and settlement in CCASS once dealings in the Shares on the Main Board commence, and all activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM under the existing stock code "8376" will be Wednesday, 27 May 2020. Dealings in the Shares on the Main Board will commence at 9:00 a.m. on Thursday, 28 May 2020. The Shares will be traded on the Main Board under the new stock code "9978" following the Transfer of Listing.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for delivery, trading, settlement and registration purposes, and will not involve any transfer or exchange of the existing share certificates. Currently, the Shares are traded in board lots of 4,000 Shares each and are traded in Hong Kong dollars. The principal share registrar and transfer office of the Company is Esera Trust (Cayman) Limited and the Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the abovementioned share registrars and transfer offices of the Company following the Transfer of Listing.

SHARE OPTION SCHEME

The Share Option Scheme was adopted by the Company on 23 October 2017 pursuant to which the Company may grant options to eligible persons (being any director, employee (whether full-time or part-time), consultant, or adviser of the Group who in the sole discretion of the Board has contributed to and/or will contribute to the Group) to subscribe for Shares. The Directors consider that the Share Option Scheme may act as incentives or rewards for such eligible persons' contribution to the Group and enable the Group to recruit and retain high-calibre employees and human resources.

The Share Option Scheme will remain valid and effective following the Transfer of Listing and will be implemented in full compliance with the requirements under Chapter 17 of the Main Board Listing Rules.

Pursuant to the Share Option Scheme, the Company may grant options in respect of a total of 40,000,000 Shares, representing 10% of the Company's issued share capital as at 15 November 2017, on which dealing of the Shares first commenced on GEM. As at the date of this announcement, no share option has been granted by the Company under the Share Option Scheme. The listing of the Shares which may be issued upon exercise pursuant to the Share Option Scheme will also be transferred to the Main Board.

As at the date of this announcement, save for the options that may be granted under the Share Option Scheme, the Company does not have any other options, warrants or similar rights or convertible equity securities in issue which will be transferred to the Main Board.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Pursuant to Rule 9A.12 of the Main Board Listing Rules, the general mandates granted by the Shareholders at the annual general meeting of the Company held on 8 May 2019 to allot new Shares and repurchase Shares will continue to be valid and remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association, or any applicable law of the Cayman Islands to be held; and
- (c) the passing of an ordinary resolution of the Shareholders in general meeting revoking or varying such mandate.

SHAREHOLDING DISTRIBUTION

Based on a review of the following information received up to the Latest Practicable Date:

(i) the register of members of the Company; (ii) the beneficial owners study report received from an independent agent engaged to confirm the Company's shareholding distribution as at 9 March 2020; and (iii) the disclosure of interests search results from the Stock Exchange's website, and to the best knowledge and belief of the Directors upon due inquiry, as at 9 March 2020 (being the latest practicable date for the Company to ascertain the following information prior to publication of this announcement):

- (a) the Controlling Shareholders held an aggregate of 216,000,000 Shares, representing approximately 54.00% of the then entire issued share capital of the Company;
- (b) other non-public Shareholders (excluding the Controlling Shareholders) held an aggregate of 38,000,000 Shares, representing approximately 9.50% of the then entire issued share capital of the Company;
- (c) the top 25 Shareholders (including the Controlling Shareholders) held an aggregate of 329,352,000 Shares, representing approximately 82.34% of the then entire issued share capital of the Company; and
- (d) public Shareholders held an aggregate of 146,000,000 Shares, representing approximately 36.50% of the then entire issued share capital of the Company. Among the public Shareholders:
 - (i) the top 3 public Shareholders identified in the beneficial owners study report held an aggregate of 18,536,000 Shares as at 9 March 2020, representing approximately 4.63% of the then entire issued share capital of the Company and approximately 12.70% of the then number of Shares held in public hands, respectively;
 - (ii) the top 25 public Shareholders identified in the beneficial owners study report held an aggregate of 81,564,000 Shares as at 9 March 2020, representing approximately 20.39% of the then entire issued share capital of the Company and approximately 55.87% of the then number of Shares held in public hands, respectively; and
 - (iii) the unidentifiable Shareholders, according to the beneficial owners study report, held an aggregate of 7,510,000 Shares as at 9 March 2020, representing approximately 1.88% of the then entire issued share capital of the Company and approximately 5.14% of the then number of Shares held in public hands.

PUBLIC FLOAT

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at 9 March 2020, (i) not less than 25% of the total issued share capital of the Company were held by the public (as defined in the Main Board Listing Rules); (ii) the Company had at least 300 Shareholders; and (iii) not more than 50% of the Shares held by the public were held by the three largest public Shareholders. Accordingly, assuming there will be no substantial change in the shareholding of the Company, the Directors are of the view that the public float requirements will be maintained in compliance with Rule 8.08 of the Main Board Listing Rules upon the Transfer of Listing.

PUBLICATION OF RESULTS

Upon the Transfer of Listing, the Company will cease the practice of quarterly reporting of financial results and will follow the relevant requirements of the Main Board Listing Rules which include publishing interim results and annual results within two months and three months from the end of the relevant periods or financial year ends, respectively. The Board

is of the view that investors and Shareholders will continue to have access to relevant information on the Company following the reporting requirements under the Main Board Listing Rules.

WAIVERS FROM STRICT COMPLIANCE WITH THE MAIN BOARD LISTING RULES

Management Presence in Hong Kong

Rule 8.12 of the Main Board Listing Rules provides that an applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, and under normal circumstances, at least two of its executive Directors must be ordinarily resident in Hong Kong.

The Group's principal place of operation is in the PRC and it does not manage or keep substantial business in Hong Kong. Accordingly, the Company considers that it would be practically difficult and commercially unreasonable and undesirable to arrange for two executive Directors to be ordinarily resident in Hong Kong. Accordingly, the Company does not and, for the foreseeable future, will not have executive Directors who are ordinarily resident in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Main Board Listing Rules. The Company has applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.12 of the Main Board Listing Rules. The Stock Exchange has granted the requested waiver to the Company on the condition that the Company would adopt the following arrangements to maintain an effective communication channel with the Stock Exchange:

- (a) the Company has appointed and will continue to appoint Mr. Yi Ruofeng, an executive Director, and Mr. Tso Ping Cheong, Brian, the company secretary of the Company, as its authorised representatives (the “**Authorised Representatives**”) pursuant to Rule 5.24 of the GEM Listing Rules (equivalent to Rule 3.05 of the Main Board Listing Rules), to act as the principal channel of communication with the Stock Exchange. Mr. Yi Ruofeng resides in the PRC, and Mr. Tso Ping Cheong, Brian resides in Hong Kong. Each of them has confirmed that he is and will be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange, and will also be available to meet with the Stock Exchange to discuss any matters on short notice. In addition, Mr. Yi Ruofeng possesses valid travel documents and can apply for visas to visit Hong Kong within a reasonably short period of time. Accordingly, the Authorised Representatives will be able to meet with the relevant members of the Stock Exchange on short notice;
- (b) the Authorised Representatives have means of contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. To enhance communication between the Stock Exchange, the Authorised Representatives and the Directors, the contact details of each Director, including his or her mobile phone number, office phone number, facsimile number and email address have been provided to each Authorised Representative. Furthermore, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period of time as and when required; and

- (c) meetings between the Stock Exchange and the Directors of the Company could be arranged through the Authorised Representatives, or directly with the Directors within a reasonable time frame. The Company will inform the Stock Exchange promptly in respect of any change in the Authorised Representatives.

Connected Transactions

The Group has entered into, and expect to continue, certain transactions that constitute non-exempt continuing connected transactions under the GEM Listing Rules and the Main Board Listing Rules. For further details, please refer to the section headed “Continuing Connected Transactions” in this announcement.

SUMMARY OF THE GROUP’S BUSINESS

The Company has not changed its principal business since its listing on GEM on 15 November 2017 and has been principally engaged in providing property intermediary services, with a focus mainly in Guangzhou and also elsewhere in the Greater Bay Area. The Group offers services covering different stages of the life cycle of a property development project, from the planning phase, to promotion and sales, to after-sales services. These property intermediary services are provided through three main business segments, namely:

- (a) **Real estate agency services (including the Online Referral Platform services)**

Real estate agency services

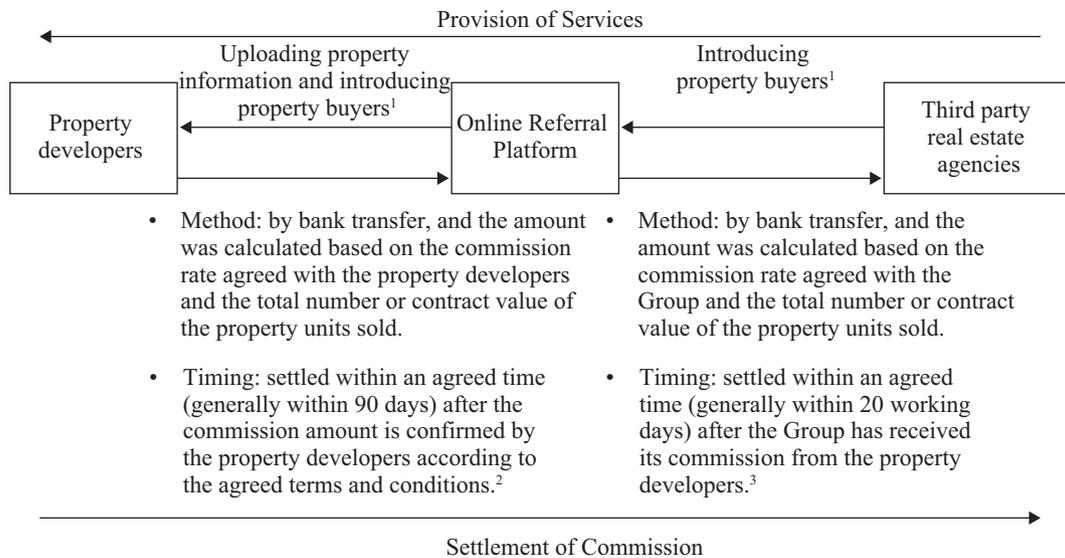
This includes the provision of property market information and both primary market agency services and secondary market agency services to customers. Primary market real estate agency services are arrangements where the Group receives a commission directly from a property developer by successful facilitation of sales of properties in property development projects to purchasers, and the Group’s focus is on residential and mixed-use developments mainly in Guangzhou, and also other parts of the Greater Bay Area. During the Track Record Period, the average commission rate received by the Group for its primary market real estate agency services was approximately in the range between 0.9% to 1.3% of the contract value of the property units sold. Secondary market real estate agency services are arrangements where the Group receives a commission from an owner and/or a buyer or a tenant or another real estate agency based on the purchase price or the rent. The Group provides secondary market real estate agency services to owners looking to sell or lease their properties and to potential buyers or tenants looking to buy or rent properties in Guangzhou and its peripheral regions, such as Heshan, Foshan and Huizhou. For each of the years comprising the Track Record Period, the average commission rates charged by the Group for its secondary market real estate agency services were approximately in the range between 1.0% to 3.0% of the contract value of the property units sold, or approximately 0.5 to 1.0 times the monthly rental.

Online Referral Platform services

In addition, the Group provides the Online Referral Platform which is an online platform for information exchanging and matching for primary property development projects that connects the property developers with a greater number of third party real estate agencies that have been cooperating with the Group.

The business of the Online Referral Platform is competitive and sustainable in the long run as it creates a win-win situation for all its users. The Group has accumulated good connections with a large number of third party real estate agencies. For 2017, 2018 and 2019, the Group had cooperated with 438, 779 and 971 third party real estate agencies respectively, and accumulatively, more than 1,800 third party real estate agencies over the same periods. The property developers have the incentive to use the Group's Online Referral Platform when they fail to use internal channels to meet their sales target especially when their projects are in non-prime locations, where the market interest is lower. By using the Group's Online Referral Platform, they can reach a greater number of third party real estate agencies without entering into separate agreements with each individual agent. On the other hand, the third party real estate agencies also have exposure to a greater number of sales projects from different property developers by using the Online Referral Platform without requiring extra efforts for marketing and finding business opportunities.

The following diagram illustrates how the Online Referral Platform services are provided and the method and timing for the settlement of commission among the property developers, the Group, and the third party real estate agencies in relation to the transactions conducted via the Online Referral Platform:



Notes:

1. Introducing property buyers represents the primary services provided by the Online Referral Platform. For details of other services available, please refer to the paragraphs below in this section.
2. Typically, confirmation is conditional on the property buyer signing a legally binding sales contract. In certain cases, it may be conditional on the property developer receiving the down payment or the full payment from the bank when the property is purchased by mortgage.
3. Typically, payment to third party real estate agencies would be made after the Group has received its commission from the property developers.

When a property developer or its designated agent engages the Group for using the Online Referral Platform, the Group will upload the relevant property information onto the Online Referral Platform, which is open and sharable to other third party real estate agencies. If a third party real estate agent has a potential buyer who is interested in buying the property, the real estate agent will register the potential buyer's information on the Online Referral Platform and accompany the potential buyer for a property visit. If the potential buyer signs the contract to purchase the property, the property developer will pay the Group a commission for the transaction as agreed in the agreement between the property developer and the Group, and the Group will split the commission with the real estate agent that brings in the buyer.

The actual commission rate the Group received from the property developers (being a percentage of the contract value of the property units sold) depends on the respective agreements the Group has entered with the property developers or their designated agents for each project. Such rate could vary due to different factors, mainly including the amount of sales (for example, higher commission rate for the total number or contract value of the property units sold above certain sales target) or difficulty of the sales (for example, higher commission rate for more difficult sales, like for certain room-type or specific property unit). During the Track Record Period, the average commission rate with these property developers or their designated agents was approximately in the range between 4.1% to 5.2% of the contract value of the property units sold.

The commission the Group splits with the third party real estate agencies depends on the agreements the Group has entered with them for each project, which generally contain similar terms as the agreements the Group has entered with the property developers or their designated agents, only with a lower commission rate, and sometimes, with specific terms on how to split the commission received from the property developers or their designated agents. For some major third party agencies, the Group enters into a general cooperation agreement for a longer term but the detailed commission rate will always be subject to separate agreement for each project. For 2017, 2018 and 2019, the percentage of aggregate commission the Group split with third party real estate agencies was approximately 57.8%, 60.3% and 70.6% respectively. The increase of such percentage over the Track Record Period was mainly due to the increasing popularity and use of the Online Referral Platform among

third party real estate agencies. In addition to third party real estate agencies, the Online Referral Platform is also utilized internally within the Group by Guangzhou Fineland Property Consultancy as an agency of the Online Referral Platform. If such internal commission payment is included, the percentage of aggregate commission the Online Referral Platform split with real estate agencies (including third party real estate agencies and Guangzhou Fineland Property Consultancy) would be approximately 78.4%, 72.2% and 79.2% for the same years, respectively. The percentages for 2017, 2018 and 2019 remained relatively stable in the range between 70% and 80%. These percentages may vary primarily due to the difficulty of the sales for certain projects. For example, a higher percentage of commission will be split with the third party real estate agencies for projects where sales are more difficult to achieve, such as for projects in remote areas or where the level of market interest is lower.

As advised by the Company's PRC legal adviser after consultation with the relevant competent authority, the Online Referral Platform does not require an Internet Content Provider licence as the Group does not charge property developers or individual real estate agents for internet information, and therefore does not constitute provision of commercial internet information services.

- (b) **Property research and consultancy services** — these are services offered to property developers and include macroeconomic analysis of the market, investment return, and the market environment, as well as studies on project conditions, development and positioning, and overall strategies for development, and sales and marketing; and
- (c) **Integrated Services** — these are value-added services provided by the Group to its customers, including property developers, individual customers and companies, and include the One-stop Service Centre, which provides ancillary services such as acting as an agent, assisting in obtaining ownership certificates and applying for mortgages, and other administrative matters, and *Zhaoshangyi*, which assists property developers to identify and approach prospective lessees for commercial units in their primary market development projects.

For a breakdown of the Group's revenue for the Track Record Period by business segment, please refer to the subsection headed "Management Discussion and Analysis — Revenue" in this announcement.

The Group's Projects

The following table sets out a breakdown of the Group's projects for 2017, 2018 and 2019 from independent and connected customers for the Group's business segments:

	Number of projects ⁽¹⁾		
	For the year ended 31 December		
	2017	2018	2019
Real estate agency services			
Primary real estate agency services ⁽²⁾			
Independent customers ⁽³⁾	186	207	205
Connected customers ⁽⁴⁾	19	25	24
<i>Sub-total</i>	205	232	229
Secondary real estate agency services ⁽⁵⁾	n/a	n/a	n/a
Property research and consultancy			
Independent customers ⁽³⁾	5	3	1
Connected customers ⁽⁴⁾	44	29	10
<i>Sub-total</i>	49	32	11
Integrated Services			
<i>Zhaoshangyi</i> (招商易) ⁽⁵⁾	n/a	n/a	n/a
One-stop Service Centre (一站式服務中心) ⁽⁵⁾	n/a	n/a	n/a

Notes:

- (1) The number of projects for a given period represents projects that were in effect and also projects for which revenue was recognised during that period.
- (2) These include projects that utilised the Online Referral Platform, among which 44, 37 and 56 projects utilised such Online Referral Platform during 2017, 2018 and 2019 respectively, and 161, 195 and 173 projects did not for the same periods.
- (3) Independent customers refer to customers which are independent third parties.
- (4) Connected customers refer to members of the Fineland Group. For further details on these transactions, please refer to the subsection headed "Continuing Connected Transactions" in this announcement and the Company's circular dated 7 November 2018 in relation to the annual caps for existing continuing connected transactions.
- (5) The Group's secondary real estate agency, *Zhaoshangyi*, and One-stop Service Centre services are provided to many different customers and such services are generally not provided on a development project basis.

The Group experienced a drop in the number of property research and consultancy projects for connected customers from 2017 to 2019 as members of the Fineland Group had fewer property development projects in new areas requiring these services.

The following table sets out the breakdown of primary real estate agency projects handled by the Group by region, including projects that utilised the Online Referral Platform, and revenue generated by region for the years indicated:

Region	For the year ended 31 December					
	2017		2018		2019	
	Number of projects ⁽¹⁾	Revenue RMB'000	Number of projects ⁽¹⁾	Revenue RMB'000	Number of projects ⁽¹⁾	Revenue RMB'000
Guangzhou	88	48,402	106	54,284	105	80,517
Elsewhere in the Greater Bay Area						
Foshan	68	10,740	75	33,762	59	10,367
Huizhou	3	172	6	6,388	6	16,464
Jiangmen	10	21,204	8	80,721	12	95,300
Zhaoqing	11	397	8	780	4	5,161
Zhongshan	0	0	0	0	2	862
Zhuhai	0	0	0	0	1	43
Subtotal	92	32,513	97	121,651	84	128,197
Other cities in Guangdong Province						
Heyuan	0	0	1	0	16	11,365
Qingyuan	22	47,095	22	21,103	19	10,232
Zhanjiang	1	339	4	5,523	3	5,374
Subtotal	23	47,434	27	26,626	38	26,971
Others⁽²⁾	2	3,125	2	776	2	461
Total	205	131,474	232	203,337	229	236,146

Notes:

- (1) The number of projects for a given period represents projects that were in effect and also projects for which revenue was recognised during that period.
- (2) Others refer to other regions outside the Greater Bay Area and Guangdong Province, such as Hainan and Guilin.

For Guangzhou, the Group recorded an increase in revenue of RMB5.9 million or 12.2% from RMB48.4 million in 2017 to RMB54.3 million in 2018, and in 2019, the Group continued to record an increase in revenue of RMB26.2 million or 48.3% to RMB80.5 million as a result of the recovery of market demand in Guangzhou especially since the last quarter of 2018 as the effects of control policies introduced in March 2017 had been absorbed.

For elsewhere in the Greater Bay Area, the Group recorded an increase in revenue of RMB 89.1 million or 274.2% from RMB32.5 million in 2017 to RMB121.7 million in 2018, due to the Group's efforts on expanding into the Greater Bay Area, especially in regions which experienced a rapid growth in property market, such as Jiangmen, Foshan and Huizhou. The introduction of regulations and control policies in March 2017 in Guangzhou also pushed some of the demand in Guangzhou to elsewhere in the Greater Bay Area. After the initial expansion phase from 2017 to 2018, this growing trend continued for the same reasons, but was at a slower yet more stable pace, for 2019 when the Group recorded an increase in revenue of RMB6.5 million or 5.4% as compared to 2018.

For other cities in Guangdong Province, the Group recorded a significant decrease in revenue from RMB47.4 million in 2017 to RMB26.6 million in 2018 as the work of the two major projects the Group was engaged in Qingyuan had largely been completed in 2017, while the Group managed to enter into the market in Heyuan that year. In 2019, the revenue generated from these cities slightly increased to RMB27.0 million due to the increase in revenue recorded from Heyuan, which was partially offset by the completion of the said projects in Qingyuan.

The table below sets out a breakdown of the total contract value of the property units sold and average commission rate charged attributable to the Group's real estate agency services⁽¹⁾ for the indicated years:

	For the year ended 31 December					
	2017		2018		2019	
	Total contract value of the property units sold	Average commission rate ⁽²⁾	Total contract value of the property units sold	Average commission rate ⁽²⁾	Total contract value of the property units sold	Average commission rate ⁽²⁾
	RMB'000	%	RMB'000	%	RMB'000	%
Primary real estate agency services	<u>6,841,198</u>	<u>1.3437</u>	<u>9,221,869</u>	<u>1.3423</u>	<u>11,655,190</u>	<u>0.9413</u>
Online Referral Platform services	<u>930,661</u>	<u>4.2495</u>	<u>1,522,225</u>	<u>5.2260</u>	<u>3,097,283</u>	<u>4.0823</u>

Notes:

1. This table does not include the average commission rate of the Group's secondary real estate agency services for indicated periods as such services were provided to many different individual customers and were generally not provided on a development project basis. For each year comprising the Track Record Period, the average commission rates charged by the Group for its secondary market real estate agency services were approximately in the range between 1.0% to 3.0% of the contract value of the property units sold, or approximately 0.5 to 1.0 times the monthly rental.
2. The average commission rate equals to revenue derived from the relevant real estate agency services divided by the corresponding total contract value of the property units sold recorded in the indicated periods.

The average commission rate for primary real estate agency services remained steady from 2017 to 2018, and dropped to 0.94% in 2019 as certain projects in Qingyuan which generated higher commission rates had largely wrapped up in 2018. The average commission rate for Online Referral Platform services increased from 2017 to 2018 mainly due to property developers offering higher commissions, including for certain projects with unsold units and commercial shops in the last stages of the sales cycle. The average commission rate for Online Referral Platform services then dropped in 2019 as more projects utilised this platform, with units sold utilising the Online Referral Platform increasing from 1,123 to 2,156 for 2018 and 2019, respectively, and more revenue was attributable to projects with lower commission rates compared to that for previous years. In addition, there was an increase in Guangzhou projects utilising this platform, and these projects tended to have lower commission rates as the location is more desirable.

The Group's Outlets

As at the Latest Practicable Date, the Group had 40 outlets. The following table sets out the number of outlets of the Group as at the date indicated and the movement of the number of outlets for the periods indicated:

	<u>For the year ended 31 December</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
Number of outlets as at the beginning of the year	24	49	50
Number of outlets opened during the year	25	10	6
Number of outlets closed during the year	<u>(0)</u>	<u>(9)</u>	<u>(16)</u>
Number of outlets as at the end of the year	<u>49</u>	<u>50</u>	<u>40</u>

Since the GEM Listing, the Group has continued expanding its market coverage as well as refining its business strategies. Due to prevailing market conditions, the Group has strategically shifted resources from the development of secondary property agency services to the expansion and development of primary property agency services. This was implemented in part by slowing down the pace of opening new outlets and closing down or not renewing leases upon expiry for outlets which were less competitive in terms of cost and revenue generated. As at the Latest Practicable Date, the Group had 40 outlets of which 33 outlets were in Guangzhou, four were in Heshan, and one in each of Qingyuan, Foshan, and Huizhou, which are other cities in the Greater Bay Area or Guangdong Province.

Major Real Estate Projects Handled by the Group

The table below sets out the 10 largest real estate projects by revenue generated in respect of which the Group provided services during the Track Record Period, from which the Group generated income from the provision of (i) primary real estate agency services (including the Online Referral Platform services), (ii) property research and consultancy services, and (iii) Integrated Services:

Name of Project	Location	Services provided ¹	Revenue		
			For the year ended 31 December		
			2017	2018	2019
			RMB'000	RMB'000	RMB'000
鶴山十里方圓 (Heshan Shili Fangyuan) ²	Jiangmen	1a, 2, 3	14,802	43,613	47,095
Project A	Qingyuan	1	26,481	2,830	507
朝南維港天悅 (Chaonan Weigang Tianyue)	Qingyuan	1	1,218	15,230	6,593
東江月島 (Dongjiang Yuedao) ²	Huizhou	1a, 2	172	4,885	15,075
花語水岸 (Huayu Shui'an) ²	Guangzhou	1a, 3	5,730	9,767	4,088
增城雲山詩意 (Zengcheng Yunshan Shiyi) ²	Guangzhou	1a, 2	13,697	4,340	878
新會月島首府 (Xinhui Yuedao Shoufu) ²	Jiangmen	1a	—	7,353	10,599
金沙半島 (Jinsha Bandao)	Foshan	1a	1,184	15,831	851
Project B	Qingyuan	1a	15,566	981	—
鶴山雲山詩意 (Heshan Yunshan Shiyi) ²	Jiangmen	1a	—	—	14,605

Notes:

(1) Service provided in 2017, 2018 and 2019:

- (i) Type 1 services refer to primary real estate agency services and Type 1a services refer to those primary real estate agency services that also utilized the Online Referral Platform.
- (ii) Type 2 services refer to property research and consultancy services.
- (iii) Type 3 services refer to Integrated Services.

(2) These projects were awarded by connected customers.

Customers

The Group's customers for real estate agency services are property developers, property owners, property buyers, and tenants. The Group's major customers for property research and consultancy services are property developers. The Group's major customers for Integrated Services are property developers and property buyers.

For 2017, 2018 and 2019, the percentage of the Group's revenue attributable to the Group's largest customer was 15.9%, 19.0% and 18.4%, while the percentage of the Group's total revenue attributable to the five largest customers in aggregate was 45.8%, 40.8% and 38.5%, respectively.

The details of the Group's top five customers and their background information for 2017, 2018 and 2019 are set out in the table below:

<u>Five largest customers</u>	<u>The year for which the customer was one of the Group's five largest customers and its approximate percentage of sales</u>	<u>Business activities</u>	<u>Connected person (if so, equity interest held within the Fineland Group)</u>	<u>Commencement year of business relationship</u>
Guangzhou Huizhao Commercial Services Co., Ltd.* (廣州市輝兆商務服務有限公司)	FY2017: 3.4% FY2018: 4.2%	Property development	Yes (41%)	2014
Guangzhou Huipeng Real Estate Development Co., Ltd.* (廣州市輝鵬房地產開發有限公司)	FY2017: 8.2%	Property development	Yes (52.5%)	2014
Customer A	FY2017: 15.9%	Property development	No	2017
Customer B	FY2017: 9.4%	Property development	No	2017
Heshan City Fineland Real Estate Development Co., Ltd.* 鶴山市方圓房地產發展有限公司	FY2017: 8.9% FY2018: 19.0% FY2019: 18.4%	Property development	Yes (100%)	2009
Foshan Nanhai Lihui Real Estate Co., Ltd.* (佛山市南海區裡暉置業有限公司)	FY2018: 6.9%	Property development	No	2016
Qingyuan Chaonan Real Estate Development Co., Ltd.* (清遠市朝南房地產開發有限公司)	FY2018: 6.7%	Property development	No	2017
Foshan Degangjian Investment Co., Ltd.* (佛山市德港健投資有限公司)	FY2018: 4.0%	Property development	No	2017
Huizhou Huisheng Real Estate Development Co., Ltd.* (惠州市輝盛房地產開發有限公司)	FY2019: 5.9%	Property development	Yes (70%)	2017
Guangzhou Huijin Real Estate Development Co., Ltd.* (廣州市輝瑾房地產發展有限公司)	FY2019: 4.4%	Property development	Yes (36%)	2018
Jiangmen Hengjie Real Estate Co., Ltd.* (江門市恒捷房地產有限公司)	FY2019: 4.1%	Property development	Yes (35.7%)	2018
Heshan Fudu Property Development Co., Ltd.* (鶴山市富都物業發展有限公司)	FY2019: 5.7%	Property development	No	2019

Save for Mr. Fong, none of the Directors or their respective close associates or the Shareholders (who or which, to the best knowledge of the Directors, own more than 5% of the issued share capital of the Company) has any interest in the top five customers of the Group for 2017, 2018 and 2019.

Suppliers

Due to the nature of the Group's principal business activities, there are no major suppliers. The Group has entered into agreements with various suppliers mainly in relation to the provision of marketing and advertising services. In addition, commission received from property developers utilizing the Group's Online Referral Platform is split with real estate agents that bring in buyers.

None of the Directors or their respective close associates or the Shareholders (who or which, to the best knowledge of the Directors, own more than 5% of the issued share capital of the Company) has any interest in the top five suppliers of the Group for 2017, 2018 and 2019.

BUSINESS OUTLOOK AND RECENT DEVELOPMENTS

Greater Bay Area Development

According to the C&W Report, the overall real estate market in Guangzhou and elsewhere in the Greater Bay Area has experienced steady growth since the GEM Listing and in 2018 and 2019. With the coordinated regional economic development of the Greater Bay Area, more property developers have purchased land and are developing primary property projects in this region, including real estate companies that are from outside the Greater Bay Area and not historically involved in this area. This participation shows their confidence towards the real estate market in the Greater Bay Area. This trend is expected to continue, and the Group, with its experience and existing relationships, is well-placed to expand in this region.

The total gross floor area, or GFA, and transaction amount of the primary commodity residential property transacted in the Greater Bay Area from 2014 to 2019 has increased at a CAGR of approximately 4.2% and 17.3%, respectively. In addition to covering development projects in the outskirts of, or peripheral regions around, Guangzhou, the Group's business in the primary real estate market has expanded to cover most of the cities of the Greater Bay Area in Guangdong province. Revenue generated by the Group from primary property transactions in cities outside Guangzhou in the Greater Bay Area was RMB121.7 million and RMB128.2 million for 2018 and 2019, respectively, compared to RMB54.3 million and RMB80.5 million for primary property market transactions in Guangzhou. The Group expects to continue developing relationships with property developers, exploring further opportunities and undertaking additional primary property projects in Guangdong province, particularly in the Greater Bay Area.

Primary and Secondary Property Markets

The government has tightened control of the property market by implementing policies, such as limitations on purchases and mortgage loans for the past few years, which has curbed the appetite in the secondary property market, but the overall demand in the primary

property market has experienced a steady increase. These regulatory policies had an impact on Guangzhou, one of the first-tier cities in China. In 2017, for certain areas of Guangzhou, there were instances of the average selling price per square metre for secondary properties exceeding that of primary properties, making the primary property market more attractive to potential buyers.

According to the C&W Report, it is expected that the market performance of both the primary and secondary commodity residential property market in Guangzhou will be stable or experience recovery, as this market will be supported by continued population growth and economic development. It is also expected that the average primary and secondary commodity residential prices in Guangzhou will continue increasing in the range of 4% to 5% per annum and 4% to 7% per annum, respectively, in the coming three years.

Due to these prevailing market conditions, and in anticipation of the real estate market in Guangzhou, Foshan and Jiangmen continuing to be dominated by primary commodity residential properties in the coming decade, the Group made a strategic decision to focus more resources on the expansion and development of primary property agency services, rather than placing an emphasis on provision of secondary property agency services. The Directors considered it necessary to accelerate business development for this segment in second and third-tier cities in the Greater Bay Area such as Foshan, Huizhou, and Jiangmen in order to capture market opportunities. Increasing geographical diversification of the Group's business was considered to be beneficial for the long-term development of the Group. The Group has successfully increased the number of primary property projects it handled for property developers from 205 in 2017 to 232 in 2018, and the number remained relatively stable at 229 in 2019. In particular, the number of primary property projects in cities other than Guangzhou grew at a faster rate and accounted for over 50% of the total number of primary property projects undertaken by the Group during the Track Record Period.

Expansion of the Group's Portfolio of clients

Since the GEM Listing, the Group has been actively expanding its portfolio of property developer clients and has been able to obtain contracts with additional well-known real estate enterprises, many of whom are independent third parties. The Group has entered into contracts with over 16 real estate enterprises that are part of the prestigious China Real Estate Top 100 Enterprises list since the GEM Listing, some of whom, the Directors believe, approached the Group due to its reputation as a property intermediary service provider listed in Hong Kong. These property developers have mainly engaged the Group to provide primary real estate agency services and to utilise the Online Referral Platform.

The Group is also actively participating in project bidding and exploring further cooperation opportunities. In 2019, the Group was also named as one of the Top 13 property consultancy and agencies in China, which is part of the China Real Estate Top 100 Enterprises list, as determined jointly by the Enterprise Research Institute of Development Research Center of the State Council of PRC, Institute of Real Estate Studies of Tsinghua University, and China Index Academy. In March 2020, the Group further improved its ranking to become one of the Top 9 property consultancy and agencies on the China Real Estate Top 100 Enterprises list.

Since the GEM Listing, the Group has successfully expanded the Online Referral Platform to cover more property developers and real estate agencies. The number of projects utilizing the Online Referral Platform has continued to increase as it becomes more popular with users, and there has also been an increase in the scale of certain new projects in terms of GFA or number of property units, which in turn has led to an increase in sales volume through this platform, and commission received by the Group. During 2017, 2018 and 2019, the number of units sold utilising the Online Referral Platform were 873, 1,123 and 2,156 respectively, and the total contract value were RMB930.7 million, RMB1,522.2 million and RMB3,097.3 million respectively for the same years. As a result, revenue from Online Referral Platform services increased considerably from RMB39.5 million in 2017 to RMB79.6 million in 2018, representing an increase of 101.5%, and further increased to RMB126.4 million in 2019, representing an increase of 58.8% as compared to 2018. The Directors consider the Online Referral Platform to be beneficial for maintaining a solid and steady flow of projects for the Group and for raising its profile with property developers, and expect to continue expanding its coverage.

Subsequent to the Track Record Period and up to the date of this announcement, the Group has been operating under the same business model, and its revenue and cost structure has remained stable. The Group's unaudited revenue for the three months ended 31 March 2020 was slightly lower than for the same period in 2019, primarily due to a decrease in revenue contribution from primary real estate agency services and the Online Referral Platform driven by a decrease in transaction volume resulting from the COVID-19 outbreak. The Group had handled 101 primary real estate agency projects during the first three months of 2020, among which 31 projects had utilized the Online Referral Platform. As at 31 March 2020, the Group had 40 outlets and 594 employees.

Impact of the outbreak of COVID-19

An outbreak of respiratory disease caused by COVID-19 first emerged in Wuhan, Hubei Province, the PRC in late 2019 and continues to spread within the PRC and globally. The new strain of coronavirus is considered highly contagious and may pose a serious public health threat. On 23 January 2020, the PRC government announced the lockdown of Wuhan in an attempt to quarantine the city. On the same day, the government of Guangdong Province activated first-level response to major public health emergencies, and had imposed epidemic prevention measures such as compulsory temperature checks and closure of public venues during the extended Chinese New Year holiday. On 24 February 2020, the government of Guangdong Province lowered the first-level response to second-level response, which means that the local government can respond on their own based on the trend that the disease is gradually contained. On 9 May 2020, the Guangdong Province government further lowered their epidemic emergency response from the second to the third level.

The outbreak of COVID-19 will have an adverse impact on the livelihood of the people in and on the economy of the PRC, particularly in Wuhan and Hubei Province. The real estate market of the PRC may also be adversely affected resulting from the disruption of the operation of real estate companies and reduced interest in real estate investment due to concerns relating to public health and safety and the economy in general, which will in turn affect the Group's real estate agency business. For the risks in relation to the COVID-19,

please refer to the section headed “Material Risks Associated with the Group’s Business — The Group’s business could be adversely affected by an occurrence of a natural disaster, widespread health epidemic or other outbreaks” in this announcement.

Expected impact on the Group’s industry

The Group is an established real estate agency in Guangzhou and elsewhere in the Greater Bay Area and had generated most of its revenue from this region during the Track Record Period. According to C&W, the impact of COVID-19 on the real estate market is expected to be predominantly in the short-term, and is dependent on the time taken to control the disease. The impact of the worldwide spread of the novel coronavirus on the global economy and the potential macroeconomic downturn is particularly severe in certain sectors and geographical areas. These sectors tend to be more consumer-facing, such as aviation, tourism, restaurants and manufacturing. In terms of geography, although the situation escalated quickly in Hubei Province, then Europe and the United States, the Greater Bay Area was not, and is currently not an epicentre of the COVID-19 outbreak. As such, according to C&W, the impact on operations and sales performance for property development and real estate agency businesses in the Greater Bay Area should be relatively less significant than those in other industries and geographical areas and is expected to be limited in the long run due to, among other things, the following reasons:

- (i) the property market in the PRC is more connected to the local economy and less susceptible to the global economic climate. As the PRC government has launched large scale fiscal and monetary stimulus to support the economy, such as the decrease of the targeted medium-term lending facility (TMLF) by 20 basis points to 2.95% by the People’s Bank of China and the decrease of the one-year loan prime rate and five-year loan prime rate by 20 basis points and 10 basis points, respectively, the GDP of China in 2020 is still expected to grow despite the economic slowdown, which in turn supports a moderate yet sustained upward trend in the domestic property market;
- (ii) since the COVID-19 outbreak, various cities where the Group has operations, including Guangzhou, Foshan and Shenzhen in the Greater Bay Area and Guangdong Province, 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;
- (iii) the domestic travel restrictions and lockdown measures have cautiously and gradually been relaxed since April 2020 with some schools in Guangzhou resuming classes and most of the property developers in the PRC gradually resuming their business operations, sales activities and construction of property development projects. Property developers continue to have a strong pipeline of projects, particularly in the Greater Bay Area;

- (iv) the demand for properties in the PRC remains strong, as evidenced by the fact that the average price of primary commodity residential properties in the first quarter of 2020 of first-tier cities, second-tier cities and third-tier cities increased by 3.3%, 5.8% and 5.3%, respectively, when compared to the same period in 2019 and the long term price trend has not been materially affected. Particularly active markets have included those where the Group has operations, such as Foshan and Guangzhou;
- (v) the epidemic in the PRC has largely and gradually been brought under control as the number of newly reported cases of COVID-19 and fatalities dropped significantly by the second quarter of 2020 and Beijing has lowered its emergency response level from the highest to the second level;
- (vi) property developers consider the impact of COVID-19 to be short term and expect that it will mostly affect their business performance of the first quarter of 2020, in part supported by the stimulation policies and mitigating measures issued by the government such as those set out above. Although delivery of some projects may be delayed, they consider urbanization to be a continual process, which will continue to support demand of improving housing and living standards, and expect to carry on the trend of maintaining stability in development. Some developers provide services through online systems to mitigate the impact of COVID-19, and real estate agencies with online platforms have seen a surge in popularity; and
- (vii) the Greater Bay Area Outline Development Plan was released in 2019, aimed at improving the development system of the city cluster and towns, establishing a holistic system and policy framework for integrated development of urban and rural areas, promoting integrated urban-rural development in its municipalities, and raising the quality and level of urbanization. This initiative is a long term goal and ongoing process emphasised and supported by the government. It is expected to continually develop and expand in the next decade and benefit the real estate market in this region in the long term.

As the spread, scale and impact of the novel coronavirus are still developing, the Directors will continue to closely monitor any changes or developments. For details, please refer to the section headed “Industry Development — Future Development — Impact of the Outbreak of COVID-19 on the Property Market” in this announcement.

Impact on the Group’s business operations

The Directors believe that, based on the information available up to the date of this announcement, the outbreak of COVID-19 would not result in a material disruption to the Group’s business operations due to the following reasons:

- (i) None of the Group’s customers or their real estate projects is located in Hubei Province or regions affected by lockdowns. To the best knowledge of the Directors, after a temporary closure during and a week after the Chinese New Year holiday, all of the real estate projects for which the Group is providing services have resumed operations and are open to property visits and viewings, while proper public hygiene protection measures are being taken.

- (ii) None of the Group's existing contracts with its customers have been suspended or terminated early due to the outbreak of COVID-19. In addition, the pre-agreed sales targets set out in the Group's contracts with property developers are merely milestones for performance bonuses and different tiers of commission rates rather than pre-determined minimum. Therefore, if the Group is unable to meet certain sales performance tiers as set out in a contract, then the commission rate for that tier of sales would not be entitled by the Group, but it would not be subject to any liabilities or penalties.
- (iii) Due to the nature of the Group's principal business activities, the Group has no major suppliers. The impact on suppliers in the marketing and advertising services is minimal as greater reliance on the online promotion of the real estate projects could be undertaken when necessary.
- (iv) None of the Group's office and outlets is located in Hubei Province or regions affected by lockdowns. After a week of closure of office and outlets after the Chinese New Year holiday, the office and the outlets had resumed operation since 17 February 2020 according to the notices announced by the local government.
- (v) The online sales and promotion methods such as posting advertisements and consultation on social media have, to some extent, mitigated concerns relating to face-to-face consultation in the outlets.
- (vi) After a week of remote working arrangement after the Chinese New Year holiday, the Group's employees had resumed working in the Group's business premises since 17 February 2020 according to the notices announced by the local government. As at the Latest Practicable Date, there are no confirmed cases of infection of COVID-19 among the Group's employees.

Impact on the Group's financial condition

The Directors believe that, based on their industry experience and critical assessment of the information available up to the date of this announcement, the outbreak of COVID-19 would not result in a material adverse impact on the Group's business and financial condition due to the following reasons:

- (i) property transaction volume is relatively low in the month of the Chinese New Year holiday traditionally, and typically picks up gradually after the holiday period when the operations of the Group and its customers have returned to normal and property developers have gradually resumed their ordinary business operations, property construction and sales activities after the first quarter of 2020;
- (ii) the Group has sufficient working capital for its requirements for at least the next 12 months from the date of this announcement; and

(iii) the impact on the Group's operations is expected to be in the short term for the reasons set out above, including the Group's business being focused on real estate agency services in the Greater Bay Area, which is not an epicentre for COVID-19 up to the Latest Practicable Date, and is less susceptible to the global economic climate, support from government fiscal and monetary stimulus measures as well as policies to mitigate impact of COVID-19, strong property developer pipeline and support for the Greater Bay Area, and improving market sentiment and demand after the epidemic has largely been brought under control in the PRC.

Solely for illustrative purpose, in the worst case scenario where the Group's business operation is forced to be suspended or ceased due to the impact of the COVID-19 outbreak, which means (i) all of the Group's ongoing projects are suspended and the Group ceases to generate any revenue; (ii) the Group continues to incur monthly costs such as staff costs, rental expenses, professional service fees, utilities and other miscellaneous charges; (iii) all outstanding payables are paid as and when they fall due; (iv) all outstanding trade receivables are only received after 90 days when they fall due; (v) there will be no internal or external financing from Shareholders or financing institutions; and (vi) no dividend will be declared and paid under such situation, in this unlikely event and based on the existing cash and bank balances as at 31 March 2020, the Group estimates that its existing cash and bank balances could support payment of its necessary costs for approximately 40 months.

To ensure a healthy and safe working environment for the Group's employees and to prevent any spreading of COVID-19 in the office or outlets of the Group, the Group has undertaken various precautionary measures, including (a) enhancing the hygienic level of the Group's office and outlets by cleaning and sanitising indoor facilities, elevators and nearby public areas regularly; (b) performing daily temperature checks of all employees before they enter into office premises; (c) limiting the use of elevators; (d) monitoring travel history of the employees; (e) minimising in-person meetings to the extent possible; and (f) requesting employees to wear masks at all times during work and report to the Group promptly whenever they feel unwell. These precautionary measures, including purchases of preventive necessities, have had, and are expected to contribute to, a limited increase in costs.

Except that the Transfer of Listing expenses will affect the Group's net profit for the year ending 31 December 2020 and save as disclosed above, the Directors confirm that there have not been any unfavourable trends or development which may have a material adverse impact on the Group's business and financial performance subsequent to 31 December 2019 and up to the date of this announcement.

FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

On 14 May 2020, the Company announced the unaudited condensed consolidated financial results of the Group for the three months ended 31 March 2020. For details, please refer to the said announcement and the first quarterly report for the three months ended 31 March 2020 published on 14 May 2020.

INDUSTRY DEVELOPMENT

The Group has commissioned C&W, an independent market research company, to conduct an analysis of, and to produce a report relating to the economy of the PRC, the residential property market in the PRC and the selected PRC cities in the Greater Bay Area, including Guangzhou, Foshan and Jiangmen, and the real estate agency and consultancy services market in the PRC and its competitive landscape for use in this announcement. C&W is a global real estate adviser, which offers a range of services including investment agency, leasing agency, property and facilities management, project and building consultancy, investment and asset management, market research, forecasting and valuation. The information from C&W disclosed in this announcement is extracted from the C&W Report, a report commissioned by the Group for a fee of RMB238,000 and is disclosed with the consent of C&W. The following is the extract of the C&W Report:

The Greater Bay Area Outline

On 18 February 2019, the much-anticipated Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area was published in full by the Chinese government. At its heart, the Greater Bay Area plan aims to transform the four core cities, i.e. Hong Kong, Macao, Guangzhou and Shenzhen, as well as the seven non-core cities, i.e. Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing, into an integrated economic region set to drive global innovation and technology development, while creating an engine for growth. Underpinning the plan are two key elements. The first is a vast array of transportation infrastructure designed to link the region together and create a one-hour travel circle. The other is industry transformation, particularly within the Tier-2 and Tier-3 cities in the area. The Greater Bay Area initiative aims to boost growth of the service sector in the non-core cities by supporting an ongoing shift away from manufacturing to an economy driven by technology innovation and services. New infrastructure projects and enhanced transportation systems are also anticipated.

The Property Market in the Greater Bay Area

The property market in the Greater Bay Area has experienced steady growth in recent years. According to the National Bureau of Statistics, real estate investment, which has been increasingly popular, rose from approximately RMB629.4 billion in 2014 to approximately RMB1,283.1 billion in 2019, representing a CAGR of approximately 15.3%. The total gross floor area (“GFA”) of primary commodity residential properties sold experienced a CAGR of approximately 4.2% over the 6 years from 2014 to 2019. Guangzhou, Foshan, Huizhou, and were the cities with relatively higher sales, with each of them recording sales of more than 9 million sq.m. in 2019. As a result of differences in economic strength and the real estate market development among the cities in the Greater Bay Area, the demand for new commodity residential properties in Guangzhou, Shenzhen, and Zhuhai demonstrated a mix of fundamental and investment demand while Jiangmen, Zhongshan, and Zhaoqing were dominated by fundamental demand. Overall, the property market in other cities in the Greater Bay Area is stable and healthy. In 2018, real estate companies from outside the Greater Bay area and historically not involved in this area began to participate in the Greater Bay Area land auctions, reflecting their confidence towards the real estate market in the Greater Bay Area.

The following table sets out major real estate indicators for the Greater Bay Area:

	2014	2015	2016	2017	2018	2019*	2014–2019 CAGR
Regional population (<i>million</i>) ⁽⁴⁾	57.6	58.7	60.0	61.5	63.0	N/A	2.3%
Urbanisation rate ⁽¹⁾ (%)	84.12	84.59	84.85	85.29	85.91	N/A	N/A
Real estate investment (<i>RMB billion</i>)	629.4	707.6	860.1	982.3	1,148.6	1,283.1	15.3%
Primary commodity residential properties							
Transaction volume/GFA (<i>million sq.m.</i>)	56.1	74.4	93.0	74.5	71.6	68.8	4.2%
Transaction amount (<i>RMB billion</i>)	526.2	827.6	1,140.3	927.5	987.4	1,166.1	17.3%
Average selling price (<i>RMB per sq.m.</i>)	9,380	11,123	12,257	12,443	13,793	16,953	12.6%
Secondary commodity residential properties							
Transaction volume ⁽²⁾ (<i>million sq.m.</i>)	13.7	23.2	35.6	33.4	26.8	23.4	-13.3%
Transaction amount ⁽³⁾ (<i>RMB billion</i>)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average selling price ⁽³⁾ (<i>RMB per sq.m.</i>)	N/A	N/A	N/A	N/A	N/A	N/A	N/A

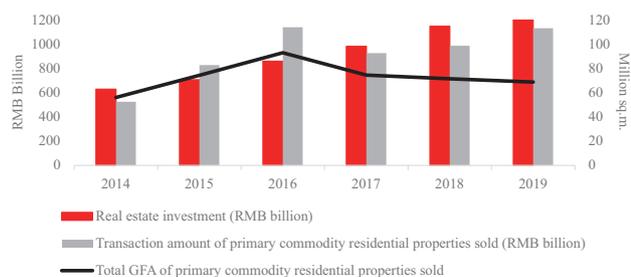
* 2019 figures are subject to final adjustments.

Notes:

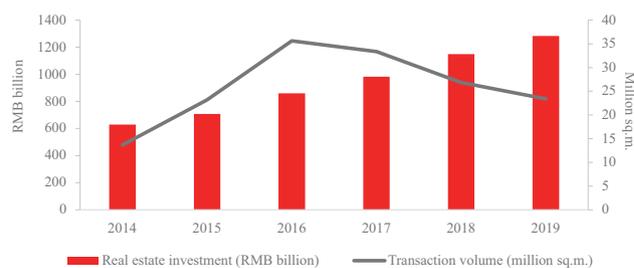
- (1) Urbanisation rate refers to the urban population as a percentage of the total population.
- (2) The dataset of transaction volume for secondary commodity residential properties is not complete. Transaction volume of 2014–2019 is available for Guangzhou and Shenzhen. For Dongguan, only 2016–2019 data is available. Therefore, CAGR of the transaction volume for secondary commodity residential properties is calculated with 2016–2019 data only. For Huizhou, Zhongshan and Zhuhai, only 2019 data is available. There is no available transaction volume data for Jiangmen, Foshan and Zhaoqing.
- (3) The dataset of transaction amount and average selling price of secondary commodity residential properties is not available for some of the Greater Bay Area cities, except for Zhuhai, Huizhou, Dongguan and Zhongshan. However, the datasets for Zhuhai, Huizhou, Dongguan and Zhongshan are not complete. Therefore, data of transaction amount and average selling prices is not shown in the table above.
- (4) Regional population data of 2019 is not available. Therefore, CAGR of regional population for the Greater Bay Area is calculated with 2014–2018 only.

Source: *Guangdong Statistical Yearbook, National Bureau of Statistics and CREIS (China Real Estate Index System)*

GBA Primary Commodity Residential Property Market 2014–2019



GBA Secondary Commodity Residential Property Market 2014–2019



Source: *Guangdong Statistical Yearbook, National Bureau of Statistics and CREIS (China Real Estate Index System)*

Analysis of the Primary Commodity Residential Property Market

Transaction volume

Between 2014 and 2019, transaction volume of primary commodity residential properties in the Greater Bay Area reached a short-term peak of approximately 93.0 million sq.m. in 2016 due to the favourable housing policies in 2015 and 2016. The transaction volume increased from approximately 56.1 million sq.m. to approximately 93.0 million sq.m. during 2014 and 2016. In March 2017, the introduction of regulations and control policies subsequently cooled down the property market, causing investors to hesitate and resulting in a rapid decline in the transaction volume in 2017 to approximately 74.5 million sq.m., and further to approximately 68.8 million sq.m. in 2019, as effects of the control policy were absorbed, which was slightly below the transaction volume of 2015. The COVID-19 outbreak started in late 2019 and due to traditional seasonal adjustment and the Chinese New Year holiday in the first quarter and temporary closure of sales offices to avoid face-to-face contact as a safety measure against the COVID-19 outbreak, the transaction volume of primary commodity residential properties of the Greater Bay Area in the first quarter of 2020 decreased by 18.8% comparing to the same period in the first quarter of 2019. However, the primary residential transaction volume from the first quarter only takes up a small part of the year which was approximately 16% in 2019. It is expected that the market performance in 2020 will be stable or experience recovery after the proper control of the COVID-19 outbreak. If there are no new policies and significant changes in the macroeconomic environment and if a property market recovery is seen after the second quarter of 2020, it might be possible to cover the loss of the first quarter, and the transaction volume of primary commodity residential properties of the Greater Bay Area in 2020 might experience only a slight decline from 2019.

Average selling price

From 2014 to 2019, the average selling price of primary commodity residential properties in the Greater Bay Area increased from approximately RMB9,380 per sq.m. in 2014 to approximately RMB16,953 per sq.m. in 2019. Taking into account the performance in the last few years, it is expected that the average primary commodity residential price will continue to grow in the range of 4% to 5% per annum in the coming three years.

Analysis of the Secondary Commodity Residential Property Market

Transaction volume

The transaction volume for secondary commodity residential properties in Guangzhou, Shenzhen, Dongguan, Foshan and Jiangmen reached approximately 35.6 million sq.m. in 2016 due to the favourable housing policies in 2015 and 2016. As the introduction of regulation and control policies in March 2017 cooled down the property market, investor sentiment wavered, resulting in a decline of approximately 6.2% in the transaction volume in 2017 to approximately 33.4 million sq.m., and further softening to approximately 23.4 million sq.m. in 2019 after digesting the control policy announced in 2017. The impact of the COVID-19 outbreak in late 2019 on the transaction volume of secondary commodity residential properties, despite limited data for secondary commodity residential properties of the Greater Bay Area in the first quarter of 2020, is believed to be similar to that of the primary commodity residential property market. It is expected that the market performance in 2020 will be stable or experiencing recovery after the proper control of the COVID-19 outbreak. If there are no new policies and significant changes in the macroeconomic environment and if a property market recovery is seen after the second quarter of 2020, it might be possible to cover the loss in the first quarter, and the transaction volume of secondary commodity residential properties of the Greater Bay Area in 2020 might experience only a slight decline from 2019.

The Property Market in Guangzhou

According to the Guangzhou City 2017–2021 Residential Land Supply Plan, during 2017–2021 (《廣州市2017–2021年住宅用地供應計劃》), 3,200 hectares of residential land, with an average annual planned supply of 640 hectares of residential land is proposed to supply for the construction of 750,000 housing units. Among them, 2,375 hectares will be designed for commodity residential land while 825 hectares of land will be designed for leased housing. According to the plan, a total of 750,000 sets of residential housing will be constructed, including 600,000 sets of commodity residential properties and 150,000 sets of rental housing. This stable residential supply helps to promote the sustainable development of the real estate market.

The following table sets out major real estate indicators for Guangzhou:

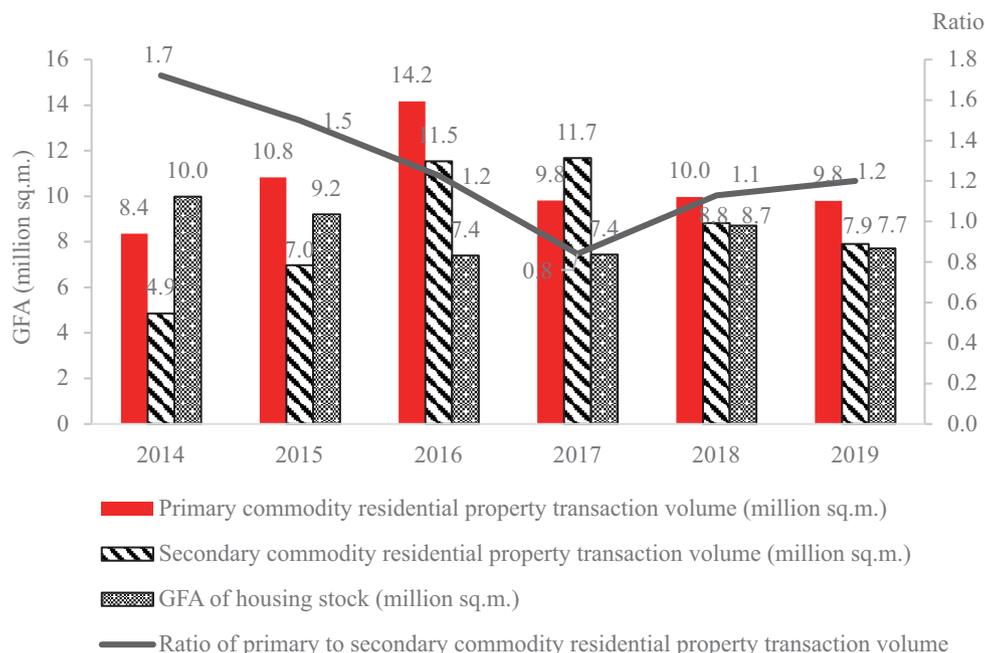
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2014–2019 CAGR</u>
Primary commodity residential properties							
Transaction volume/GFA (<i>million sq.m.</i>)	8.4	10.8	14.2	9.8	10.0	9.8	3.1%
Transaction amount (<i>RMB billion</i>)	126.0	163.4	235.4	161.5	202.9	247.0	14.4%
Average selling price (<i>RMB per sq.m.</i>)	15,075	15,101	16,627	16,450	20,354	25,158	10.8%
Total GFA of housing stock ⁽¹⁾ (<i>million sq.m.</i>)	10.0	9.2	7.4	7.4	8.7	7.7	-5.1%
Secondary commodity residential properties							
Transaction volume/GFA (<i>million sq.m.</i>)	4.9	7.0	11.5	11.7	8.8	7.9	10.0%
Transaction amount ⁽²⁾ (<i>RMB billion</i>)	53.5	92.4	178.0	203.6	N/A	N/A	56.2%
Average selling price ⁽²⁾ (<i>RMB per sq.m.</i>)	11,011	13,262	15,433	17,432	N/A	N/A	16.5%
Total GFA of housing stock (<i>million sq.m.</i>)	N/A						
Ratio of primary to secondary commodity residential properties	1.7	1.5	1.2	0.8	1.1	1.2	N/A

Notes:

1. Housing stock means residential and commercial units in a property development that were previously unsold (but have the required licenses for sale and occupation), units that were pledged to banks by the developer as security, units belong to creditors, or units which have been purchased from property developers but have not been lived in or occupied.
2. As data is not available for 2018 and 2019, CAGRs of transaction amount and average selling price of secondary commodity residential properties have been calculated with data for 2014 to 2017.

Sources: CREIS (China Real Estate Index System), C&W Report

Guangzhou Commodity Residential Property Market 2014–2019



Sources: CREIS (China Real Estate Index System), C&W Report

Analysis of the Primary Commodity Residential Property Market

Transaction volume

The trends in the Guangzhou primary commodity residential property market were largely similar to those of the Greater Bay Area described above and as influenced by the favourable housing policies in 2015 and 2016, and subsequent cooling measures in March 2017. The transaction volume increased from approximately 8.4 million sq.m. to approximately 14.2 million sq.m. between 2014 and 2016. There was a rapid decline in the number and volume of transactions in 2017, with a decrease of approximately 31.0% to approximately 9.8 million sq.m. in transaction volume. In 2018, the transaction volume increased to approximately 10.0 million sq.m. and remained steady at approximately 9.8 million sq.m. for 2019. The COVID-19 outbreak started in late 2019. The transaction volume of primary commodity residential properties of Guangzhou in the first quarter of 2020 decreased by 41.8% comparing to the same period in the first quarter of 2019. However, the primary residential transaction volume from the first quarter only takes up a small part of the year which was approximately 21% in 2019. If a property market recovery is seen after the second quarter of 2020, it might be possible to cover the loss of first quarter, and the transaction volume of primary commodity residential properties of Guangzhou in 2020 might experience only a slight decline from 2019.

Average selling price

From 2014 to 2019, the average selling price of primary commodity residential properties in Guangzhou increased from approximately RMB15,075 per sq.m. in 2014 to approximately RMB25,158 per sq.m. in 2019, reflecting a CAGR of approximately 10.8%. In particular, there was a significant increase of approximately 23.6% in the average selling price from 2018 to 2019.

Taking into account the performance in the last few years, it is expected that the average primary commodity residential price will continue to grow in the range of 4% to 5% per annum in the coming three years.

Analysis of the Secondary Commodity Residential Property Market

Transaction volume

The transaction volume for secondary commodity residential properties in Guangzhou increased from 4.9 million sq.m. to 7.9 million sq.m. over the period between 2014 to 2019. The adjustment in transaction volume for secondary commodity residential properties in response to the control policy announced in March 2017 was reflected in 2018 and 2019, as seen in the drop to 8.8 million sq.m. and 7.9 million sq.m. respectively. The COVID-19 outbreak started in late 2019. The transaction volume of secondary commodity residential properties of Guangzhou in the first quarter 2020 decreased by 10% comparing to the same period in the first quarter of 2019. Despite limited data for the average price of secondary commodity residential properties of Guangzhou in the first quarter of 2020, the impact on the secondary commodity residential property market is believed to be similar to that of the primary commodity residential property market. It is expected that the market performance in 2020 will be stable or experience a slight recovery after the proper control of the disease. If there are no new policies and significant changes in the macroeconomic environment, the transaction volume of secondary commodity residential properties of Guangzhou in 2020 might experience only a slight decline from 2019.

Average selling price

The average selling price of the secondary commodity residential properties in Guangzhou increased from RMB11,011 per sq.m. to RMB17,432 per sq.m., representing a CAGR of 16.5% from 2014 to 2017.

Taking into account the performance in the last few years, it is expected that the average secondary commodity residential price will continue to grow in the range of 4% to 7% per annum in the coming three years.

Ratio of primary to secondary commodity residential properties

In major developed cities including Beijing, Shanghai and Shenzhen, there is usually a shortage of urban land supply and the market is therefore more dependent on the secondary market. According to the China Real Estate Index System (“CREIS”), in 2018, the transaction value in the secondary property market accounted for 72% and 64% of the total property transaction amounts in Beijing and Shenzhen, respectively. However, between 2014 and 2019, the real estate market in Guangzhou was still dominated by primary commodity residential properties except that the transaction value of secondary market transactions as a percentage of total property transaction amounts was 56% in 2017. In the same year, according to CREIS, the number of registrations of secondary commodity residential property transactions in the seven main areas of Guangzhou (excluding Huangpu, Nansha, Zengcheng and Conghua districts) was more than that of primary commodity residential property transactions. In Guangzhou, the total GFA of primary commodity residential property sold has increased from approximately 8.4 million sq.m. in 2014 to approximately 9.8 million sq.m. in 2019, while total GFA of secondary commodity residential property sold increased from approximately 4.9 million sq.m. in 2014 to approximately 7.9 million sq.m. in 2019. The ratio of primary to secondary commodity residential property sold in Guangzhou has generally been over 1.0 since 2014. The ratio reached a short-term peak of 1.7 in 2014 and gradually decreased to 0.8 in 2017, indicating a growing secondary commodity residential market.

In Guangzhou, transactions in the main urban area were dominated by secondary transactions as supply of primary properties was limited, while transactions in the peripheral areas of Guangzhou were dominated by primary transactions as supply was comparatively more abundant. In the coming two to three years, the ratio between primary to secondary commodity residential property sold in Guangzhou is expected to hover around 1 and eventually follow the trend of other major cities in China such as Shenzhen, Beijing and Shanghai in the future, where the ratio, with reducing land supply, is less than 1. However, it is believed that the real estate market in Guangzhou, Foshan and Jiangmen will continue to be dominated by primary commodity residential properties in the coming decade.

Competitive landscape in the property consultancy and agency industry

The entry barrier for the property consultancy and agency industry in the PRC is relatively low, which has resulted in a large number of players in the market where most of them are small in scale and the competition is keen. However, whether a company can effectively compete in the market depends on a series of factors including its brand recognition, its experience in the property consultancy and agency industry, and market coverage by number of outlets and employees.

Currently, property consultancy and agency companies tend to engage in businesses involving both primary and secondary residential properties and utilise their client resources and market knowledge to enhance integrated businesses by forming alliances with property developers and even other competitors. Through comprehensive training systems and selecting recognised sales partners, both primary and secondary market players complement each other to position themselves favourably, which has contributed to transforming the market.

The market share of the top property agencies in Guangzhou primary market has not changed significantly in the past three years. The top five property agencies in Guangzhou take up approximately 40% to 46% of the total transaction amount in the primary residential market between 2017 to 2019 and therefore competition in the primary residential market are steady among property agencies in Guangzhou and are expected to continue in the coming two to three years. Excluding the top five, other property agencies, including the Group, take up a market share of around or less than 1% individually. In other Greater Bay Area cities such as Foshan, competition in the agency industry is similar to that in Guangzhou. The market is dominated by a few well-known property agencies. Local agencies are facing keen competition with well-known property agencies. Contrary to Guangzhou and Foshan, the agency market in Jiangmen is less mature and relatively scattered, where most developers prefer to employ their own in-house salespersons rather than engaging property agencies. Along with the development of the real estate market in both Foshan and Jiangmen, the property agencies may translate the needs of developers into opportunities for expanding their market share in these regions.

There are no clear leaders yet in Guangzhou's secondary residential market, with the largest player when ranked by number of transactions accounting for only approximately 7.20% of the market share and the second largest player when ranked by number of transactions, accounting for only approximately 4.67% of the market share. The other top two players when ranked by number of transactions, each accounted for even less of the market share. These players have been in the Guangzhou market for many years, and yet have not managed to gain a dominant position in the secondary real estate market. Apart from the top five, each of the other players have a market share of less than 1% and the Group is among these players.

Online Platform

We note that online platforms are commonly found in key real estate agency and consultancy services companies, such as *Fangyuanbao* of the Group. These real estate agency and consultancy services companies provide information on sale or lease of primary and secondary properties as well as property research information through their online platforms. They also make use of their online platforms for referral business. The property developers can reach a greater number of real estate agents by using the online platforms, instead of entering into separate agreements with each of the individual agents directly. It is believed that the usage of online platforms will continue to play an important role in the future development of real estate agency and consultancy companies.

Future Development

On the assumption that there are no new policies and significant changes in the macroeconomic environment in the PRC, the transaction volume of primary commodity residential property market in the Greater Bay Area market is expected to maintain at its current level or bounce back to the level seen in 2015. The average primary commodity residential price will continue to grow in the range of 4% to 5% per annum in the coming three years. The real estate market in Guangzhou, Foshan and Jiangmen are still dominated by primary commodity residential properties in the coming decade. The transaction volume of secondary commodity residential property market in the Greater Bay Area is expected to maintain at around the level between that of 2017 and 2018. Moreover, the usage of online platform in real estate agency and consultancy companies will continue to play an important role in their future development.

The Group has many years of experience in selling primary commodity residential properties. With the sales model of linking primary and secondary property sales becoming more and more established, the Group has also expanded their business to, and is showing strength in the secondary market. In recent years, the adoption of “primary and secondary cooperation” is becoming more and more popular. This refers to the use of the customer resources and data that the agency has from secondary property market to drive the sales of primary housing, so that resources can be used more efficiently.

With more integrated resources, primary sales agents obtain a large number of customers through the network of secondary real estate agents. In terms of the secondary property market, there are more diversified channels and opportunities in finding target customers. As such, a wide range of customers helps drive the sales of primary residential properties and potential for sales commissions are maximized. This model has proved popular for real estate agencies in China.

With a number of outlets in various locations in the Greater Bay Area and a strong network of customers, it is expected that the sales of primary residential properties of the Group would be further improved in the near future with the adoption of this secondary linkage sales strategy.

Future Opportunities in the Greater Bay Area

The Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area was released in February 2019. It aims at combining the strengths of Guangdong, Hong Kong and Macao and further deepening and broadening the cooperation among the three cities so as to facilitate in-depth integration within the region and promote coordinated regional economic development. It is expected that by 2035, the Greater Bay Area should be under an economic system and mode of development mainly supported by innovation, with its economic and technological strengths vastly increased and its international competitiveness and influence further strengthened.

The Greater Bay Area economy is transforming and expanding and the real estate market is also benefitting from this development. With its experience and history, the Group has the capability to expand its services into other cities of the Greater Bay Area.

Threats and Challenges in the Greater Bay Area

The PRC government and regulatory authorities have implemented a series of policies and measures in the past few years in order to control the supply and demand of properties in the Greater Bay Area. For example, restrictions on purchase amounts and prices in 2017 led to a decrease in demand for both primary and secondary properties, which in turn cooled down the commodity residential property market in 2017, 2018 and 2019. In addition, some property developers have begun using various integrated sales strategies, such as building their own in-house sales teams and having promotions on pricing to push sales. These measures and actions all bring a certain degree of impact to the real estate agency industry.

Impact of the Outbreak of COVID-19 on the Property Market

Due to the outbreak of COVID-19 in late 2019 in the PRC, Wuhan suffered the severest impact with most of the city and roads closed. After an eleven-week lockdown that had put the city in a virtual quarantine, Wuhan lifted travel restrictions on 8 April 2020. Other cities in the PRC are resuming operations after the extended Chinese New Year Holiday and the operation suspension period of seven days. Some cities released policies to mitigate the possible impact of COVID-19 on the real estate market. For example, Guangdong Province is waiving the real estate tax and land use tax for the affected industries, and supporting the developers and agency companies by setting up online platform for online sales and improving the transaction record system. Foshan Sanshui District is waiving the interest in late payment of land grant fee, the penalty of breaching building covenants including building commencement and completion date and allowing delays in handover of land plots. The impact of COVID-19 on the real estate market is yet to be fully observed, and it is dependent on the time taken to control the disease. According to the past experience of severe acute respiratory syndrome (SARS) in 2003, a recovery of the real estate market in the PRC was seen after the proper control of the disease.

COMPLIANCE AND LITIGATION MATTERS

The Group has obtained all licenses, permits, approvals and certificates necessary to conduct its business operations.

The Directors confirm that to the best of their knowledge (i) as at the date of this announcement, no litigation or claims of material importance were ongoing, pending or threatened against any member of the Group, and (ii) since the GEM Listing on 15 November 2017 and up to the date of this announcement, the Group did not have any serious or potentially serious breach of or material non-compliance with the GEM Listing Rules.

Since the GEM Listing on 15 November 2017 and up to the date of this announcement, the Directors confirm that the Group (i) has complied with laws and regulations in all material aspects for its business; and (ii) has not been subject to any disciplinary action or investigation by regulators in respect of serious or potentially serious breach of any GEM Listing Rules.

MATERIAL RISKS ASSOCIATED WITH THE GROUP'S BUSINESS

The Group's business is heavily dependent on the state of the real estate market in Guangzhou and elsewhere in the Greater Bay Area.

The Group is an established real estate agency in Guangzhou and elsewhere in the Greater Bay Area and is heavily dependent on the growth of the real estate market in this region. The Group's revenue generated from Guangzhou and elsewhere in the Greater Bay Area for 2017, 2018 and 2019 were approximately RMB115.7 million, RMB200.5 million and RMB228.4 million respectively, representing approximately 69.5%, 87.6% and 89.1% of the Group's total revenue during the same periods respectively. As one of the Group's business strategies is to strengthen its established position in Guangzhou and elsewhere in the Greater Bay Area, any adverse movements in the supply of, or demand for, properties in this area, or in prices paid for such properties, may have a material adverse effect on the Group's business, results of operations, and financial position.

Demand for properties and property prices in Guangzhou and elsewhere in the Greater Bay Area are expected to be affected by macroeconomic control measures implemented by the PRC government from time to time as well as the overall Greater Bay Area development plan. In addition, as the future growth of Guangzhou and other cities of the Greater Bay Area is reliant on the overall Greater Bay Area development plan and its implementation by the PRC government and other stakeholders, the Group's strategy to strengthen its position in this market may be affected and the anticipated future business opportunities may not materialise. If there are any negative changes to the Greater Bay Area development plan, or unsatisfactory, or hindrances to, implementation, the Group's future plans, profitability, and growth may be adversely affected.

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

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

The PRC government exerts considerable influence over the growth and development of the PRC property market through policies and other economic measures, for example, by setting interest rates, controlling the supply of credit by changing bank reserve ratios and implementing lending restrictions, increasing tax and duty on property transfers, and imposing restrictions on foreign investment and currency exchange. The PRC government has also acted to control the demand and supply of land for property development, which could directly impact the Group's business. Recent government measures along these lines have generally been designed to result in downward pricing pressure on the PRC property market and have impacted the buoyancy of the primary and secondary real estate markets in which the Group operates. Further restrictive measures, such as tightening of monetary and credit policy, adopted by the PRC government have had, and may continue to have, a

dampening effect on property markets in many areas of the PRC, including Guangzhou and elsewhere in the Greater Bay Area. This, in turn, could have a material adverse effect on the Group's business, results of operations, and financial position.

Competition in the real estate agency business is intense.

The real estate agency business in Guangzhou and elsewhere in the Greater Bay Area is fragmented. Some of the Group's competitors may be better positioned, with greater resources and longer standing relationships. The Group competes with other companies that also provide primary and secondary market real estate agency services and will be susceptible to the local market competition dynamics. A number of the Group's competitors may also offer property research and consultancy services. The intensity of the competition may result in a shortage of quality real estate agents and other employees, increased compensation costs for agents and employees in order to retain them, and lower commission rates in both the primary and secondary markets, any of which could materially and adversely affect the Group's business, results of operations, and financial position. Furthermore, there is no assurance that the Group will be able to hire quality real estate agents or other employees, or find appropriate sites for new outlets. In addition, the developers' use of various integrated sales strategies, such as building their own sales team and having price-off promotions, may negatively affect the industry of real estate agencies. If the Group is unable to respond to changes in market conditions more quickly or more effectively than its competitors or otherwise maintain or enhance its competitiveness, the Group's business, results of operations and financial position could also be adversely affected.

The Group's business could be adversely affected by the cooling of PRC real estate market.

The Group conducts its business primarily in the PRC, thus its operational performance depends substantially on the condition of the PRC real estate market. The PRC real estate market may be affected by local, regional, national and global factors, including economic and financial developments, speculative activities in local markets, demand for and supply of properties, availability of alternative investment choices for property buyers, inflation, government policies, interest rates and the availability of capital, etc. Any adverse developments or cooling of the PRC real estate market due to various reasons, such as the impact of the "Trade War", slowing of the growth of PRC's GDP, and the loosening of government's control of capital outflows from the PRC which may lower the purchasing power or the investment intention of potential buyers, could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

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

The Group is engaged in real estate agency services in Guangzhou and elsewhere in the Greater Bay Area, and the Group's business is subject to general economic and social conditions in this region and in China. Natural disasters, epidemics such as swine flu, avian influenza, severe acute respiratory syndrome (SARS) or coronavirus may adversely affect the economy, infrastructure and livelihood of the people in China. The occurrence of a natural disaster or a prolonged outbreak of an epidemic illness or other adverse public health developments in China could adversely affect the Group's business and operations.

Since the outbreak of COVID-19, temporary suspension of property development projects and temporary closure of outlets had caused disruption to the Group's operation for a short period of time. The increasing concerns on public health and safety and the impact of COVID-19 on the economy in general may lower the interests of property visits or investment in real estate by potential property buyers, which in turn may have an adverse effect on the Group's business, financial condition and results of operations. The outbreak may also severely affect and restrict the level of economic activity in general as the government may impose regulatory or administrative measures such as quarantining affected areas or other measures to control or contain the outbreak of the infectious disease, which in turn may have a material and adverse effect on the Group's business, financial position and results of operations.

The Group is exposed to credit risk from its customers which may materially and adversely affect its operating results and financial condition

The Group's major customers, which are property developers, are generally required to provide payment within 90 days after confirmation of the billing summary. However, there is no guarantee that all of the Group's customers will settle payment in full as they fall due. If any customer delays, or refuses to provide, confirmation of the billing summary, or becomes insolvent or delays its payment of fees, the Group's cash flow, as well as business, results of operations, and financial position could be adversely affected. As at 31 December 2017, 2018, and 2019, the Group recorded trade-nature receivables, net of impairment losses, of RMB32.1 million, RMB57.6 million, and RMB71.3 million, respectively. The Group's trade-nature receivables turnover days for 2017, 2018, and 2019 was approximately 56 days, 71 days, and 92 days, respectively. For further details, please refer to the section headed "Other Financial Information of the Group – Trade-nature receivables" in this announcement. The Group is also exposed to credit risks of its customers. Any financial difficulties experienced by its major customers may result in a reduction of their engagement of the Group's services and expose the Group to higher credit risk, which could in turn materially and adversely affect the Group's operating results and financial condition.

The Group generated a portion of its net profit from other income and gains which are non-recurring in nature during the Track Record Period

During the Track Record Period, the Group recorded other income and gains that mainly represented exchange gains from the Group's gradual transfer of its proceeds from the Company's listing to onshore subsidiaries, government grants from the local government, including a subsidy for newly listed companies, interest income and gains from disposal of property, plant and equipment. For each of 2017, 2018, and 2019, the Group's other income and gains amounted to approximately RMB0.5 million, RMB7.1 million, and RMB3.0 million, respectively. These other income and gains were not derived in the Group's ordinary and usual course of business and were non-recurring in nature. The Group may not be able to continue to obtain such other income and gains comparable to those in the past, which may in turn have an adverse effect on the Group's results of operations and financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

For illustrative purposes, the table below sets out the key items from the Group's consolidated statements of comprehensive income for 2017, 2018 and 2019, as extracted from the Prospectus and the annual reports of the Company for 2017, 2018 and 2019.

	For the year ended 31 December		
	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	166,360	228,903	256,275
Other income and gains	492	7,145	3,016
Employee benefit expenses	(88,517)	(101,531)	(104,593)
Advertising, promotion and other commission expenses	(42,233)	(68,543)	(95,394)
Operating lease charges in respect of office and shop premises	(9,743)	(12,101)	—
Operating lease charges in respect of short-term leases	—	—	(3,129)
Depreciation of property, plant and equipment	(754)	(1,157)	(1,086)
Depreciation of right-of-use assets	—	—	(5,136)
Expected credit loss on financial assets	—	(85)	(23)
Other operating expenses	(6,887)	(11,235)	(12,661)
Finance cost	—	—	(673)
Listing expenses/Transfer of Listing expenses	(20,340)	—	(4,246)
Profit/(loss) before income tax	(1,622)	41,396	32,350
Income tax	(5,023)	(11,280)	(9,933)
Profit/(loss) for the year/period	<u>(6,645)</u>	<u>30,116</u>	<u>22,417</u>
Profit/(loss) attributable to:			
Owners of the Company	(6,645)	30,117	22,165
Non-controlling interests	<u>—</u>	<u>(1)</u>	<u>252</u>

Adoption of new and revised accounting policies

HKFRS 9 — Financial Instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018.

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognise ECLs for trade receivables and financial assets at amortised cost earlier than HKAS 39.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12 months 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 Directors consider that the adoption of HKFRS 9 has no material impact on the Group's financial position and performance as compared to that of HKAS 39.

HKFRS 15 — Revenue from Contracts with Customers

Effective from 1 January 2018, HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group considers that the application of HKFRS 15 does not have a material impact on the timing and amounts of revenue recognised on (i) real estate agency service income (including Online Referral Platform service income); (ii) property research and consultancy service income; and (iii) Integrated Services income in the respective reporting periods upon its initial adoption.

HKFRS 16 — Leases

The Group adopted HKFRS 16 using the modified retrospective method of adoption since the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

Impact on the consolidated statement of financial position as at 31 December 2019 (increase/(decrease)):

	<i>RMB'000</i>
Right-of-use assets	13,277
Lease liabilities (current)	5,561
Lease liabilities (non-current)	8,298
Retained profits	(582)

Impact on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 (increase/(decrease)):

	<i>RMB'000</i>
Operating lease charges in respect of office and shop premises	(8,356)
Operating lease charges in respect of short-term leases	3,129
Depreciation of right-of-use assets	5,136
Finance cost	<u>673</u>
Profit for the year ended 31 December 2019	<u><u>(582)</u></u>

Impact on the consolidated statement of cash flows for the year ended 31 December 2019 (increase/(decrease)):

	<i>RMB'000</i>
Net cash flows from operating activities	5,227
Net cash flows used in financing activities	<u><u>(5,227)</u></u>

The Directors consider that the adoption of HKFRS 16 since 1 January 2019, as compared to the requirements of HKAS 17, would increase the consolidated assets and consolidated liabilities of the Group at the same time, but would not result in a significant impact on the Group's consolidated financial position (i.e. net assets) and performance. The Directors also consider that the adoption of HKFRS 16 does not have a significant impact on the Company's key financial ratios.

Revenue

	For the year ended 31 December					
	2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%
REAL ESTATE AGENCY SERVICES						
Primary real estate agency services						
Independent customers	51,265	30.8	68,374	29.9	49,000	19.1
Connected customers	<u>40,661</u>	<u>24.4</u>	<u>55,412</u>	<u>24.2</u>	<u>60,705</u>	<u>23.7</u>
<i>Subtotal</i>	91,926	55.2	123,786	54.1	109,705	42.8
Secondary real estate agency services⁽¹⁾						
	28,737	17.3	21,309	9.3	16,754	6.5
Online Referral Platform services⁽²⁾						
Independent customers	33,799	20.3	47,514	20.8	67,742	26.4
Connected customers	<u>5,749</u>	<u>3.5</u>	<u>32,037</u>	<u>13.9</u>	<u>58,699</u>	<u>22.9</u>
<i>Subtotal</i>	<u>39,548</u>	<u>23.8</u>	<u>79,551</u>	<u>34.7</u>	<u>126,441</u>	<u>49.3</u>
<i>Subtotal</i>	160,211	96.3	224,646	98.1	252,900	98.6
PROPERTY RESEARCH AND CONSULTANCY SERVICES						
Independent customers	2,063	1.2	710	0.3	333	0.1
Connected customers	<u>1,783</u>	<u>1.1</u>	<u>2,421</u>	<u>1.1</u>	<u>1,091</u>	<u>0.5</u>
<i>Subtotal</i>	3,846	2.3	3,131	1.4	1,424	0.6
INTEGRATED SERVICES						
Independent customers	2,303	1.4	655	0.3	1,192	0.5
Connected customers	<u>—</u>	<u>—</u>	<u>471</u>	<u>0.2</u>	<u>759</u>	<u>0.3</u>
<i>Subtotal</i>	<u>2,303</u>	<u>1.4</u>	<u>1,126</u>	<u>0.5</u>	<u>1,951</u>	<u>0.8</u>
<i>Total</i>	<u>166,360</u>	<u>100.0</u>	<u>228,903</u>	<u>100.0</u>	<u>256,275</u>	<u>100.0</u>
Independent customers	<u>118,167</u>	<u>71.0</u>	<u>138,562</u>	<u>60.6</u>	<u>135,021</u>	<u>52.7</u>
Connected customers	<u>48,193</u>	<u>29.0</u>	<u>90,341</u>	<u>39.4</u>	<u>121,254</u>	<u>47.3</u>

Notes:

1. All revenue generated from provision of secondary real estate agency services has been included as revenue from independent customers.
2. In the Prospectus, the Company's annual report for 2017 and the Company's interim report for the six months ended 30 June 2018, income from the Online Referral Platform services was not presented as part of real estate agency services. Such income has been included within income for real estate agency services in this table to facilitate proper comparisons.

During 2017, 2018 and 2019, the commission received by the Group for the Online Referral Platform services were approximately RMB39.5 million, RMB79.6 million and RMB126.4 million respectively, and the referral rewards and commission fees paid to the third party real estate agencies under the Online Referral Platform were approximately RMB22.9 million, RMB48.0 million and RMB89.3 million respectively for the same periods.

For 2017, 2018 and 2019, the Group's revenue was approximately RMB166.4 million, RMB228.9 million and RMB256.3 million, respectively, representing an increase of 37.6% from 2017 to 2018 and an increase of 12.0% from 2018 to 2019. These increases were driven by the performance of the Company's different business segments as discussed below.

Real estate agency services

The major source of the Group's revenue was from provision of real estate agency services. From 2017 to 2018, the Group's increase in revenue was driven primarily by an increase in primary real estate agency services, particularly as the Group had developed strong relationships with a number of well-known property developers since the GEM Listing as well as the recent popularity of the Online Referral Platform made available to property developer customers. The number of primary property projects handled in 2018 was 232, representing an increase of 13.2% from 205 projects in 2017. The revenue from primary property projects in 2018 was RMB203.3 million, representing an increase of 54.7% from RMB131.5 million in 2017. The Group had also expanded into the Heyuan market in 2018. Demand for secondary property agency services was weaker in 2018 when compared to 2017, and as such, the Group's revenue from secondary real estate agency services decreased from RMB28.7 million to RMB21.3 million.

In 2019, the Group's revenue generated from real estate agency services was RMB252.9 million, an increase of 12.6% from RMB224.6 million in 2018. This increase was primarily driven by the significant growth in revenue contribution from the Online Referral Platform by RMB46.9 million or 58.9%, which was partially offset by (i) a decrease of RMB4.6 million or 21.3% in the revenue of the Group's secondary real estate agency services due to a weaker demand for secondary properties compared to that of primary properties which resulted in the adjustment in Group's strategy and use of proceeds to slow down the pace of opening new outlets that mainly used for secondary real estate agency services, and (ii) a decrease of RMB14.1 million or 11.4% in the revenue from the primary real estate agency services, primarily because the number of primary real estate services projects that did not use the Online Referral Platform decreased from 195 in 2018 to 173 in 2019 as a result of the increasing trend of utilising the Online Referral Platform.

The Group's revenue from the Online Referral Platform services segment has increased significantly since the acquisition of the *Fangyuanbao* business in 2016, which was the predecessor to the Online Referral Platform, from RMB39.5 million in 2017 to RMB79.6 million in 2018, and further to RMB126.4 million in 2019, representing an increase of 101.5% from 2017 to 2018, and an increase of 58.9% from 2018 to 2019. These increases were mainly driven by an increase in the number of projects utilising the platform, as well as larger scale of certain new projects in terms of GFA or number of units, which in turn has led to an increase in sales volume through this platform and commission received by the Group. The number of projects utilizing the platform dropped slightly from 44 projects in 2017 to 37 projects in 2018, then increased to 56 projects in 2019. During 2017, 2018 and 2019, the number of property units sold utilising the Online Referral Platform were 873, 1,123 and 2,156 respectively, and the total contract value were RMB930.7 million, RMB1,522.2 million and RMB3,097.3 million, respectively, for the same years.

The Company believes that the revenue growth of the Online Referral Platform services far outpaced that of the Group's primary real estate agency services mainly because (i) the introduction of regulation and control policies in March 2017 cooled down the property market which in turn slowed down the revenue growth of the Group's primary real estate agency services, and yet created more demand from the property developers to use the Online Referral Platform in promoting their projects when they failed to use internal channels to meet their sales target, especially when their projects were in non-prime locations where the market interest was lower; (ii) the average commission rate generated from the Online Referral Platform services during Track Record Period, which was in the range between 4.1% to 5.2% of the contract value of the property units sold (a portion of which will be split with real estate agencies and recorded as other commission expenses with the net average commission rate after deducting the portion split with real estate agencies ranging from approximately 0.8% to 1.5% of the contract value of the property units sold), was typically higher than those generated from the primary real estate agency services, which was in the range between 0.9% to 1.3% of the contract value of the property units sold; and (iii) after the Group acquired the Online Referral Platform business in May 2016, it had been experiencing a rapid growing phase starting from a base where revenue contribution was very small, and thus recorded a significant growth rate during the Track Record Period. It is expected to record a mild growth rate in the coming years. On the contrary, the Group has started providing primary real estate agency services since the establishment of the Group in 1997. Such business had reached a more mature and stable stage during the Track Record Period, and thus recorded a relatively lower or negative growth as compared to that of the Online Referral Platform services.

Property research and consultancy services

The Group's revenue from property research and consultancy services decreased from RMB3.8 million in 2017 to RMB3.1 million in 2018, due to the changing market conditions in 2018, where the effect of tightened government policies to curb irrational demand was apparent and reflected in the slow down of the growth rate of the commercial residential building volume sold. The number of projects undertaken decreased from 49 in 2017 to 32 in 2018 and further to 11 in 2019. This impact was partially offset by the increase in average revenue generated from each project. Revenue from property research and consultancy services further decreased from RMB3.1 million in 2018 to RMB1.4 million in 2019 due to fewer projects where the Group was engaged to provide these services.

Integrated Services

The Group's revenue from Integrated Services fluctuated from RMB2.3 million in 2017 to RMB1.1 million in 2018, and increased to RMB2.0 million in 2019. These were mainly driven by fluctuating demand and transaction volumes for the Group's *Zhaoshangyi* and One-stop Service Centre ancillary services. In 2018, the market demand for properties available through the Group's *Zhaoshangyi* had decreased as some property developers preferred to sell these commercial units instead of renting it out to tenants. Demand for the Group's One-stop Service Centre ancillary services was also weaker. The increase in 2019 was primarily due to the increase in demand from a new project facilitated by the Group's *Zhaoshangyi* service where a tenant entered into a lease for particularly large units and the increase in demand of the Group's One-stop Services Centre to facilitate application for property certificates.

Other income and gains

Other income and gains mainly represented interest income, gain on disposal of property plant and equipment, net exchange gains, and government grants during 2017, 2018 and 2019.

For 2018, the Group recorded a large increase of RMB6.6 million to RMB7.1 million, which was primarily a result of (i) exchange gains from the Group's gradual transfer of proceeds from the Company's listing to onshore subsidiaries in 2018; (ii) government grants from the Guangzhou government, including a subsidy for newly listed companies; and (iii) an increase in interest income. For 2019, the Group's other income and gains decreased from RMB7.1 million in 2018 to RMB3.0 million, mainly due to (i) the lack of government grants, including a subsidy for newly listed companies that was recorded in 2018; and (ii) a decrease in exchange gains arising from transfer of proceeds.

Employee benefit expenses

Employee benefit expenses mainly comprise salaries, allowances and other benefits, and contributions and charges to retirement benefits scheme.

The Group's employee benefit expenses increased from RMB88.5 million in 2017 to RMB101.5 million in 2018, and slightly increased to RMB104.6 million in 2019. These increases were primarily driven by an increase in the total number of employees during that respective year, an increase in commission paid to them, and also higher salaries paid for newly hired employees with higher qualifications.

Advertising, promotion and other commission expenses

Advertising, promotion and other commission expenses primarily consist of (i) advertising and promotion expenses incurred in relation to real estate projects where the Group provides property research and consultancy services or real estate agency services, (ii) various promotion expenses incurred by the Group for raising brand awareness, and (iii) referral rewards and commission fees paid out to real estate agents for successful introductions to buyers for certain real estate projects under the Online Referral Platform. For successful transactions utilising the Online Referral Platform, the Company splits the revenue received as commission from the property developer with the real estate agent that brought in buyers, which is recorded as commission expense.

The Group's advertising, promotion and other commission expenses increased from RMB42.2 million in 2017 to RMB68.5 million in 2018, and further increased to RMB95.4 million in 2019. These large increases were driven by the increase in business volume through the Online Referral Platform which resulted in an increase in the commission split to third party real estate agencies that brought in buyers from RMB22.9 million in 2017 to RMB48.0 million in 2018 representing an increase of 109.6%, and further to RMB89.3 million in 2019 representing an increase of 86.0%, and also by the Group's focus on building its brand awareness through various promotional activities and advertisements.

Operating lease charges and short-term lease expenses

Operating lease charges in respect of office and shop premises and short-term lease expenses primarily consist of leases for the Group's office premises and real estate agency outlets, and rental fees for office equipment.

The Group's operating lease charges in respect of office and shop premises increased from RMB9.7 million in 2017 to RMB12.1 million in 2018, driven by (i) the increase in rent of certain outlets; and (ii) the increase in number of the Group's outlets, from 49 as at 31 December 2017 to 50 as at 31 December 2018.

Due to the adoption of HKFRS 16, the Group recorded short-term lease expenses of RMB3.1 million for 2019 instead, representing a decrease of approximately 74.1% when compared to the operating lease charges in respect of office and shop premises for 2018.

Depreciation of right-of-use assets

The Group recorded depreciation of right-of-use assets of RMB5.1 million for 2019, compared to nil for 2018. This was due to the Group's adoption of HKFRS 16 with the date of initial application of 1 January 2019. For further details, please refer to the section headed "Management Discussion and Analysis — Adoption of new and revised accounting policies — HKFRS 16 — Leases" in this announcement.

Other operating expenses

Other operating expenses primarily consist of office and travelling expenses, auditor and professional party fees, and other miscellaneous expenses.

The Group's other operating expenses increased from RMB6.9 million in 2017 to RMB11.2 million in 2018, mainly due to additional expenses incurred for travelling and compliance adviser services. In 2019, the Group's other operating expenses further increased to RMB12.7 million, primarily due to the increase of depreciation expenses and expenses incurred for travelling as the Group continued expanding its business.

Listing expenses/Transfer of Listing expenses

The Group recorded RMB20.3 million in 2017 for expenses in connection with the listing of the Shares on GEM, and no such expenses were recorded in 2018. For 2019, the Group recorded RMB4.2 million as professional fees relating to the Transfer of Listing, which were non-recurring expenses relating to the application for the Transfer of Listing. These expenses are subject to adjustment based on the actual amount incurred or to be incurred.

Income tax

The Group's income tax expenses were RMB5.0 million, RMB11.3 million and RMB9.9 million for 2017, 2018 and 2019, respectively. The large increase of RMB6.3 million, or 126.0% in income tax, from 2017 to 2018 was due to the increase in the Group's profit before income tax as its business grew after the GEM Listing. The decrease of RMB1.4 million, or 12.4%, in income tax was due to the decrease in the Group's profit before income tax.

Profit/(loss) and total comprehensive income for the year/period

The Group's profit for the year was RMB30.1 million for 2018, representing an increase of RMB36.8 million compared to a loss of RMB6.7 million for 2017. The increase was mainly due to the combined effect of (i) lack of one-off listing expenses and (ii) an increase in revenue of RMB62.5 million or 37.6%; which were partially offset by (iii) an increase in employee benefit expenses of RMB13.0 million and (iv) an increase in advertising, promotion and other commission expenses of RMB26.3 million.

The Group's profit for 2019 was RMB22.4 million, representing a decrease of RMB7.7 million compared to 2018. Although the Group's overall revenue increased by RMB27.4 million, or 12.0% from 2018, the Group recorded negative net profit growth compared to 2018 due to the combined effect of (i) the increase in revenue which was primarily driven by the growth of the Online Referral Platform by RMB46.9 million of which a significant portion was paid out to third party real estate agencies as commission expenses, while the revenue generated from the primary real estate agency services and secondary real estate agency services recorded an aggregate reduction of RMB18.7 million; (ii) the increase of RMB41.3 million or 86.0% in commission expenses split to third party real estate agencies due to the expansion of the Online Referral Platform; (iii) the occurrence of Transfer of Listing expenses of RMB4.2 million that were not incurred in 2018; and (iv) the lack of government subsidy for newly listed companies received in 2018 and a decrease in exchange gains resulting in a lower other income and gains. The Group's revenue increased continuously throughout the Track Record Period and advertising, promotion and other commission expenses as a percentage of the Group's revenue also increased throughout the same period, from 25.4% to 29.9% and further to 37.2% for 2017, 2018 and 2019, respectively. This was mainly driven by the increase in proportion of overall revenue generated from the business volume utilising the Online Referral Platform and the corresponding increases in commission split with third party agencies.

During the period from 2017 to 2019, the revenue generated by the Online Referral Platform services grew at a CAGR of 47.3%. Despite the significant growth rate and the increasing revenue contribution of the Online Referral Platform services during the Track Record Period, it did not result in the same degree of increase in the overall profit margin and the overall growth rate of profit as approximately 60% to 80% of the revenue generated was paid by the Group to third party real estate agencies as related commission fees.

The Group recorded a net profit margin of 13.2% for 2018 as compared to the net loss margin of 4.0% for 2017 mainly due to (i) an increase in real estate agency service income, and (ii) absence of listing expenses incurred for 2018. The net profit margin decreased to 8.7% for 2019 as compared to 13.2% for 2018 mainly due to (i) an increase in advertising, promotion and other commission expenses of RMB26.9 million, resulting from the increase in commission payment to the third party real estate agencies as the Group expanded its Online Referral Platform services; (ii) decrease in other income and gains compared to 2018; and (iii) listing expenses of RMB4.2 million recorded in 2019 for the Group's Transfer of Listing, while no such listing expenses were incurred for 2018.

OTHER FINANCIAL INFORMATION OF THE GROUP

The following table sets out the consolidated statement of financial position of the Group as at the dates indicated:

	As at 31 December		
	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment	4,169	3,887	2,286
Right-of-use assets	—	—	13,277
Deposits paid for acquisition of property, plant and equipment	741	240	897
Total non-current assets	4,910	4,127	16,460
Current assets			
Trade receivables	31,630	22,817	35,013
Deposits, prepayments and other receivables	2,728	7,471	23,991
Amounts due from fellow subsidiaries	438	34,751	21,712
Amount due from a related company	—	—	14,560
Bank balances and cash	91,151	109,754	98,662
Total current assets	125,947	174,793	193,938
Current liabilities			
Trade payables	12,253	14,762	17,545
Contract liabilities	—	16,296	7,978
Accruals and other payables	27,229	27,271	24,183
Lease liabilities	—	—	5,561
Amounts due to fellow subsidiaries	6,507	—	—
Tax payable	3,478	12,275	16,207
Total current liabilities	49,467	70,604	71,474
Net current assets	76,480	104,189	122,464
Total assets less current liabilities	81,390	108,316	138,924
Non-current liabilities			
Lease liabilities	—	—	8,298
Deferred tax liabilities	2,031	2,031	2,031
Total non-current liabilities	2,031	2,031	10,329
Net assets	79,359	106,285	128,595
Capital and reserves			
Share capital	3,403	3,403	3,403
Reserves	75,956	102,883	124,647
Equity attributable to owners of the Company	79,359	106,286	128,050
Non-controlling interests	—	(1)	545
Total equity	79,359	106,285	128,595

Net current assets

The Group's net current assets increased from approximately RMB76.5 million as at 31 December 2017 to RMB104.2 million as at 31 December 2018. The increase was primarily attributable to an approximately RMB34.3 million increase in trade-nature amounts due from fellow subsidiaries, which was partially offset by the approximately RMB16.3 million increase in contract liabilities, which generally reflected advance payments received from customers where underlying services had not yet been provided, and were a result of the Group's business growth.

The Group's net current assets increased from approximately RMB104.2 million as at 31 December 2018 to approximately RMB122.5 million as at 31 December 2019. The increase was primarily attributable to the increase of deposits, prepayments and other receivables of RMB16.5 million as discussed below, the increase of amount due from a related company of RMB14.6 million, the increase in trade receivables of RMB12.2 million and the decrease of RMB8.3 million in contract liabilities, which were partially offset by the decrease of RMB13.0 million in amounts due from fellow subsidiaries, the decrease of RMB11.1 million in bank balances and cash and the increase of RMB5.6 million in lease liabilities.

Trade-nature receivables

The Group's trade-nature receivables refer to trade receivables from independent customers and the amounts owed from fellow subsidiaries and a related company that are trade in nature. The following table sets out the trade-nature receivables as at the dates indicated:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Trade-nature amounts due from fellow subsidiaries and a related company	438	34,751	36,272
Trade receivables	32,901	24,173	36,392
Less: Impairment	(1,271)	(1,356)	(1,379)
	<u>32,068</u>	<u>57,568</u>	<u>71,285</u>

The Group's trade-nature receivables, net of impairment losses, increased from approximately RMB32.1 million as at 31 December 2017 to RMB57.6 million as at 31 December 2018, and further increased to RMB71.3 million as at 31 December 2019. The increase from 31 December 2017 to 31 December 2018 was driven by the increase in revenue generated from the Online Referral Platform services and additional customers, as well as the increase in revenue recognised in the latter half of 2018 and towards the end of that year. The increase from 31 December 2018 to 31 December 2019 was primarily due to the increase in revenue generated from the Online Referral Platform services.

As at the Latest Practicable Date, approximately RMB41.7 million, or 58.5%, of the trade-nature receivables as at 31 December 2019 were subsequently settled. Such relatively low subsequent settlement of trade receivables as at the Latest Practicable Date was mainly because (i) settlement is traditionally slow during the period around Chinese New Year holidays, and (ii) a number of the Group's customers' operations were temporarily affected due to the COVID-19 outbreak, after the prolonged Chinese New Year holidays and did not fully resume operations until late February. The Directors believe that such impact is only temporary and expect further settlement as operations resume.

The following table sets out the Group's average trade-nature receivables turnover days for the years indicated:

	For the year ended 31 December		
	2017	2018	2019
Average trade-nature receivables turnover days	<u>56</u>	<u>71</u>	<u>92</u>

The Group's trade-nature receivables turnover days were calculated by dividing the average of the opening and closing balances of trade-nature receivables by the corresponding revenue for that period and multiplying by the number of days in that period. The increase from 56 days in 2017 to 71 days in 2018 was driven by the increase in number of customers and a large increase in revenue towards the end of the year. There was a further increase to 92 days for 2019. This trend of increasing average trade-nature receivables turnover days from 2017 to 2019 was largely due to (i) the continual increase in revenue generated from the Online Referral Platform, where customers generally had a longer settlement period as more administrative steps are required, and (ii) the decreasing contribution to revenue from secondary real estate agency services, as settlement periods were typically much shorter for secondary market real estate agency services when compared to those for primary market real estate agency services, as commissions for secondary market agency services are usually received from individual owners or purchasers whereas those for primary market agency services are received from property developers. These average trade-nature receivables turnover days generally fell within or around the credit periods granted to the Group's customers of approximately 90 days.

Deposits, prepayments and other receivables

The Group's deposits, prepayments and other receivables mainly comprised deposits for its real estate agency outlet leases and risk deposits for certain contracts with developers.

The Group's deposits, prepayments and other receivables increased from RMB2.7 million as at 31 December 2017 to RMB7.5 million as at 31 December 2018 due to payment of deposits for additional real estate agency outlets. As at 31 December 2019, the Group's deposits, prepayments and other receivables had increased to RMB24.0 million, primarily due to the increase of prepayments of RMB15.8 million to certain third party real estate agencies with strong sales ability that cooperate with the Group through its Online Referral Platform. This arrangement was put in place temporarily by the Group during the fourth quarter of 2019 to provide incentives and support to these third party real estate agencies in response to the intensified market competition during that period and feedback regarding

settlement period of commission. The amount of prepayments was based on the successful sales of properties as confirmed in supplemental agreements between the Group and each of these third party agencies, and prepayments of the commission payable to certain third party agencies before the Group recognised the related commission from the property developers were made. As at the Latest Practicable Date, the year-end balance of such prepayments had been subsequently recognised as commission expenses as the Group had recognised the related real estate agency service income and had received the related commission from the property developers.

Trade payables

The Group's trade payables mainly represent the commission payable to third party real estate agencies with whom it cooperated on the Online Referral Platform.

The Group's trade payables increased from RMB12.3 million as at 31 December 2017 to RMB14.8 million as at 31 December 2018, and further to RMB17.5 million as at 31 December 2019. These increases were primarily driven by the continued growth of the Online Referral Platform, which in turn increased in commission payable to the third party real estate agencies for successful transactions utilising the Online Referred Platform.

As at the Latest Practicable Date, approximately RMB7.6 million, or 43.3%, of the trade payables as at 31 December 2019 were subsequently settled.

Right-of-use assets and lease liabilities

The Group has adopted HKFRS 16 Leases from 1 January 2019, which resulted in changes to accounting policies and adjustments to amounts in the consolidated financial statements. In accordance with the transition requirements and practical expedients set out in HKFRS 16, the Group has recognised the cumulative effect of initially applying HKFRS 16 at the date of initial application, or 1 January 2019. The financial information presented for 2018 has not been restated.

As a result of applying HKFRS 16, in relation to leases that were previously classified as operating leases, the Group recognized RMB13.3 million of right-of-use assets, RMB5.6 million of lease liabilities under current liabilities, and RMB8.3 million of lease liabilities under non-current liabilities in relation to its office and outlet leases as a lessee as at 31 December 2019. For further details, please refer to the section headed "Management Discussion and Analysis — Adoption of new and revised accounting policies — HKFRS 16 — Leases" in this announcement.

Please also refer to the annual reports of the Company for 2017, 2018 and 2019 for further details of the annual and interim results and management discussion and analysis of the Group during the corresponding periods.

Cash Flows

The Group's cash and cash equivalents were RMB91.2 million, RMB109.8 million, and RMB98.7 million as at 31 December 2017, 2018 and 2019, respectively. The following table sets forth the Group's cash flows for the years indicated:

	For the year ended 31 December		
	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating (loss)/profit before working capital changes	(1,360)	39,556	37,420
Changes in working capital	4,592	(18,039)	(38,903)
Interest paid and tax paid	(3,079)	(2,483)	(6,001)
Net cash generated from/(used in) operating activities	153	19,034	(7,484)
Net cash (used in)/generated from investing activities	(3,645)	(229)	1,251
Net cash generated from/(used in) financing activities	<u>35,964</u>	<u>—</u>	<u>(4,933)</u>
Net increase/(decrease) in cash and cash equivalents	32,472	18,805	(11,166)
Cash and cash equivalents at beginning of year	58,167	91,151	109,754
Effect of foreign exchange rate changes	<u>512</u>	<u>(202)</u>	<u>74</u>
Cash and cash equivalents at end of year	<u><u>91,151</u></u>	<u><u>109,754</u></u>	<u><u>98,662</u></u>

Operating loss before working capital changes

The Group incurred cash outflow from operating activities before working capital changes for 2017 mainly due to recognition of listing expenses of RMB20.3 million in connection with the GEM Listing for that year.

Net cash generated from or used in operating activities

For the year ended 31 December 2019, the Group's net cash used in operating activities was RMB7.5 million, primarily reflecting cash used in operations of RMB1.5 million, and income tax payments of RMB6.0 million during this period.

While the Group's cash used in operations for 2019 was RMB7.5 million, the profit before income tax was RMB32.4 million. The difference of RMB39.9 million represents adjustments for profit or loss items of RMB5.1 million, and overall negative working capital adjustments of RMB38.9 million. Within working capital adjustments, there were an increase in deposits, prepayments and other receivables of RMB16.5 million, an increase in amount due from a related company of RMB14.6 million, and an increase in trade receivables of RMB12.2 million, which were partially offset by a decrease in amounts due from fellow subsidiaries of RMB13.0 million.

The Company expects that the Group's cash flow position will improve for 2020 as the prepayments of RMB15.8 million to certain third party real estate agencies in the fourth quarter of 2019 was temporary in nature and the year-end balance of these prepayments had been subsequently recognised as commission expenses. In addition, the Group has established and further strengthened its policies, including (i) preparing cash flow budgets on a monthly basis; (ii) monitoring overdue receivables on a case-by-case basis and taking appropriate follow-up actions; and (iii) implementing measures to improve profitability, control operating costs, and contain capital expenditures, such as requiring additional analysis prior to approval of new projects and declining projects that do not meet requirements, further cultivating cost consciousness in management, and actively adjusting resources for active projects. For example, a project in the late stages of their sales cycle would require fewer resources which could be deployed to other projects in earlier stages. The accounting manager is responsible for the monthly cash flow forecast and monitoring the cash inflow and outflow, and the Director in charge is responsible for its review.

For 2018, the Group's net cash generated from operating activities was RMB19.0 million, primarily reflecting cash generated from operations of RMB21.5 million, net of income tax payments of RMB2.5 million during the year.

While the Group's cash generated from operations for 2018 was RMB21.5 million, the profit before income tax was RMB41.4 million. The difference of RMB19.9 million represents adjustments for profit or loss items with non-cash effects of RMB0.9 million, an adjustment for interest income of RMB1.0 million, and overall negative working capital adjustments of RMB18.0 million. Within working capital adjustments, a RMB34.3 million increase in amounts due from fellow subsidiaries was primarily driven by an increase in the transaction amounts of the projects for which we were engaged by related parties to provide Online Referral Platform services and primary market real estate agency services, a RMB8.7 million decrease in trade receivables was primarily due to subsequent settlements from customers in relation to two major projects in 2017 to which the Group provided primary real estate agency services, and a RMB8.0 million increase in contract liabilities was mainly due to an increase in the amount of commission payable to the third party agencies as at the year end for the Group's Online Referral Platform services.

For 2017, the Group's net cash generated from operating activities was RMB0.2 million, primarily reflecting cash generated from operations of RMB3.2 million, net of income tax payments of RMB3.1 million during the year.

While the Group's cash generated from operations for 2017 was RMB3.2 million, the loss before income tax was RMB1.6 million. The difference of RMB1.6 million represents adjustments for profit or loss items with non-cash effects of RMB0.7 million, an adjustment for interest income of RMB0.4 million, and overall positive working capital adjustments of RMB4.6 million. Within working capital adjustments, a RMB21.8 million increase in trade receivables was primarily due to an increase in proceeds from the Group's Online Referral Platform services and primary market real estate agency services, a RMB9.1 million increase in trade payables was primarily due to the increase of real estate agents that brought in buyers the Group split commission with for the Online Referral Platform services, and a RMB9.0 million decrease in amounts due from fellow subsidiaries.

Net cash flows from or used in investing activities

During the Track Record Period, the Group's cash outflow for investing activities was principally used for additions of property, plant and equipment, including office furniture, computer equipment and software, which were partially offset by interest income received from bank deposits.

For 2019, the Group's net cash generated from investing activities was RMB1.3 million, which was primarily due to RMB2.1 million of interest income received which was offset by RMB0.9 million used in purchase of property, plant and equipment and net of deposits paid for its acquisition.

For 2018, the Group's net cash used in investing activities was RMB0.2 million, which was due to RMB1.2 million spent in purchases of property, plant and equipment, partially offset by RMB1.0 million of the interest income received.

For 2017, the Group's net cash used in investing activities was RMB3.6 million, which was primarily due to RMB3.5 million spent in purchases of property, plant and equipment and RMB0.7 million as deposits paid for acquisition of property, plant and equipment. This cash outflow was partially offset by RMB0.4 million of interest income received and RMB0.2 million of proceeds from disposal of property, plant and equipment.

Net cash flows from or used in financing activities

During the Track Record Period, the Group's financing cash outflow was principally due to the payment of dividends and repayments to fellow subsidiaries.

For 2019, the Group's net cash used in financing activities was RMB4.9 million, which mainly reflected the payment of lease liabilities.

For 2018, the Group had no cash generated from or used in financing activities.

For 2017, the Group's net cash generated from financing activities amounted to RMB36.0 million, which reflected the proceeds from the share offer and placing, net of share issue expenses, of RMB55.1 million, offset by a dividend payment of RMB14.6 million and a decrease in amounts due to fellow subsidiaries of RMB4.5 million.

WORKING CAPITAL

The Directors are of the opinion, and the Sponsor concurs that, after taking into account the Group's internal resources, the Group has sufficient working capital for its requirements for at least the next 12 months from the date of this announcement.

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

On 24 March 2020, the Company announced the audited consolidated financial results of the Group for the year ended 31 December 2019. For details, please refer to the said announcement and the annual report for the year ended 31 December 2019 published on 27 March 2020.

NO MATERIAL ADVERSE CHANGE

An outbreak of COVID-19 in late 2019 may adversely affect the real estate market of the PRC. The Directors believe that, based on the information available up to the date of this announcement, the outbreak of COVID-19 would not result in a material disruption to our business operations or a material adverse impact on our financial conditions. For details of the discussion on the impact of COVID-19 outbreak, please refer to the sections headed “Business Outlook and Recent Developments — Impact of the outbreak of COVID-19”, “Industry Development — Future Development — Impact of the Outbreak of COVID-19 on the Property Market” and “Material Risks Associated with the Group’s Business — The Group’s business could be adversely affected by an occurrence of a natural disaster, widespread health epidemic or other outbreaks” in this announcement.

Except that the Transfer of Listing expenses will affect the Group’s net profit for the year ending 31 December 2020 and save for the potential impact of the COVID-19 outbreak, the Directors confirm that subsequent to 31 December 2019 and up to the date of this announcement, there has been no material adverse change in the financial or trading position or prospects of the Group and there have been no trends or developments which may have a material adverse impact on the Group’s business operations or financial performance.

USE OF PROCEEDS

The net proceeds from the GEM Listing, after deducting listing related expenses, amounted to approximately HK\$41.5 million (approximately RMB34.7 million) (the “**IPO Proceeds**”). The use of the IPO Proceeds from the date of the GEM Listing to 30 June 2019 has been disclosed in the interim report of the Company for the six months ended 30 June 2019. The use of proceeds were applied for the purposes set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

On 8 August 2018, the Company announced a change in the allocation of IPO Proceeds (the “**Change in Allocation Announcement**”) which sets out the revised allocation and the reasons for the adjustments. Due to the prevailing market conditions and the industry environment, the Board resolved to reallocate the use of proceeds within the business objective of expanding the Group’s secondary and primary market real estate agency services. This was done by slowing down the pace of opening new outlets, mainly used for secondary real estate agency services, and redirecting resources to capture growing opportunities in the primary market in Guangzhou and elsewhere in the Pearl River Delta. For details on the revised implementation plan, please refer to the Company’s announcement dated 8 August 2018.

As at 31 December 2019, the Company had utilised 100% of the IPO Proceeds. An analysis of the utilisation of the IPO Proceeds from the GEM Listing up to 31 December 2019 is set out below:

	Allocation and percentage of IPO Proceeds⁽¹⁾	Actual use of IPO Proceeds and percentage of allocation up to 31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
Expansion of secondary and primary real estate agency services	27,762 (80.0%)	27,762 (80.0%)
Expansion of Integrated Services business	2,082 (6.0%)	2,082 (6.0%)
Enhance brand recognition	1,388 (4.0%)	1,388 (4.0%)
General working capital	3,470 (10.0%)	3,470 (10.0%)
Total	34,702 (100.0%)	34,702 (100.0%)

Notes:

(1) Allocation and percentage as disclosed in the Prospectus and in the Change of Allocation Announcement.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical information of each current Director and current senior management as at the date of this announcement is as follows:

Executive Directors

Ms. RONG Haiming (容海明) (“**Ms. Rong**”), aged 43, is the chief executive officer and was appointed as the Company’s executive Director on 16 February 2017 and is primarily responsible for strategic planning and general management of the Group.

In August 1999, Ms. Rong joined Fineland Group Holdings as a deputy manager in the marketing and sales management department and was promoted to the manager and general manager of the same department in January 2004 and May 2005 respectively. She stayed with the same department until December 2009 and throughout such period she was mainly responsible for planning of sales and marketing. In between December 2009 and June 2010, Ms. Rong was the general manager of the commercial property management department of the Fineland Group and was mainly responsible for property management. Ms. Rong was given the title of vice-president of the Fineland Group in June 2010 and subsequently the title of director of the Fineland Group in November 2014, and held such title until December 2015, throughout which she was mainly responsible for the strategic planning and general management of the Fineland Group. In January 2016, Ms. Rong joined

Guangzhou Fineland Property Consultancy as a general manager, being primarily responsible for providing strategic advice, overseeing the management and administration of the company, and has held the same position since then. Ms. Rong is also currently a director of Fineland Group Holdings.

Ms. Rong obtained her bachelor's degree in marketing from Sun Yat-Sen University in the PRC in June 1999 and her master's degree in corporate management from the Sun Yat-Sen University in the PRC in December 2007.

Mr. YI Ruofeng (易若峰) (“Mr. Yi”), aged 42, was appointed as an executive Director on 16 February 2017 and is primarily responsible for overseeing the daily operations, administration and finance matters of the Group.

From July 1999 to April 2007, Mr. Yi worked at Guangdong Yangcheng Certified Public Accountants Company Limited, his last position held was a business manager and was responsible for handling audit work. Mr. Yi joined the Fineland Group in April 2007 as the deputy general manager of the audit centre of the Fineland Group and was mainly responsible for handling audit work. He was subsequently promoted to the position of deputy general manager of the regulatory and audit monitoring control centre of the Fineland Group in June 2010, a position he held until December 2015, and he was responsible for handling compliance and audit work of the company. In January 2016, Mr. Yi joined Guangzhou Fineland Property Consultancy as a deputy general manager, being primarily responsible for overseeing the daily operations, administration and finance of the company.

Mr. Yi obtained his bachelor's degree in Finance from Jinan University in the PRC in June 1999. He has been a registered accountant of the Ministry of Finance of the PRC since December 2002, obtained the Intermediate Accounting Certification from the Ministry of Finance of the PRC in May 2005 and was admitted as a registered accountant of CPA Australia in November 2015.

Ms. TSE Lai Wa (謝麗華) (“Ms. Tse”), aged 64, was appointed as an executive Director on 16 February 2017 and is one of the Controlling Shareholders. She joined the Group in April 1997 as a director of Guangzhou Fineland Property Consultancy, a position which she has been holding since then and has been responsible for providing advice on overall business plans and overseeing strategic matters.

Prior to joining the Group, Ms. Tse worked as an administrative manager in Nanfang Hospital* (南方醫科大學南方醫院) from October 1976 to October 1992, primarily responsible for daily administrative and logistics management. From March 1996 to March 1997, Ms. Tse worked as a manager of the Fineland Group, and was mainly responsible for administrative work.

Ms. Tse completed an intensive course on executive masters in business administration from the Hong Kong Sino-Australia Management College in June 2001.

Non-executive Directors

Mr. FONG Ming (方明) (“Mr. Fong”), aged 53, is the chairman and was appointed as the non-executive Director on 16 February 2017. He is one of the founders of the Group and one of the Controlling Shareholders. Mr. Fong is primarily responsible for providing strategic advice to the Group.

Mr. Fong has approximately 20 years of experience in property development, property consultancy and business management. He was the chairman and general manager of Guangzhou Fineland Enterprises Company Limited* (廣州方圓企業有限公司) and Guangzhou Fineland Real Estate Development Company Limited* (廣州市方圓房地產發展有限公司) from 1994 to 1997, in which he was primarily responsible for overseeing the management of the companies. He was also the chairman and president of Guangdong Fineland Group Co., Ltd* (廣東方圓集團有限公司) from 1997 to 2006 in which he was primarily responsible for overseeing the operations of the company. Since 2006, he has been the chairman and the president of the Fineland Group and has been primarily responsible for making investment decisions, providing overall strategic planning and supervising property development projects of the Fineland Group.

Mr. Fong obtained his bachelor’s degree in law from the Sun Yat-Sen University in the PRC in July 1987 and was qualified as a lawyer by Department of Justice in Guangdong Province in April 2007.

Independent non-executive Directors

Mr. LEUNG Wai Hung (梁偉雄) (“Mr. Leung”), aged 52, was appointed as an independent non-executive Director on 23 October 2017 and is primarily responsible for supervising and providing independent judgment to the Board. Mr. Leung is also the chairman of the Audit Committee and a member of the Remuneration Committee.

Mr. Leung has more than 20 years working experience in various listed companies in Hong Kong mainly engaged in property development including Cheung Kong (Holdings) Limited (now known as CK Hutchison Holdings Limited) (stock code: 001). Mr. Leung has much experience in real estate investment trust (“**REIT**”). He participated in the IPO setup of the first private sector REIT, Prosperity REIT (stock code: 808) in Hong Kong in 2005 and worked for the manager of Fortune REIT (stock code: 778) as a Finance Director from 2011 to 2012. Fortune REIT was dually listed in both Hong Kong and Singapore. Other than property development, he has also worked as the financial controller of Shougang Concord International Enterprises Company Limited (stock code: 697) (“**SCIECL**”) from 2013 to 2018. SCIECL is a state-owned enterprise and a member of Shougang Group Co., Ltd, one of the top 10 steel producers in the world.

Mr. Leung also has extensive financial knowledge in initial public offering, merger and acquisition as well as fund raising and is familiar with the business environment of both Hong Kong and the Mainland China.

Mr. Leung is currently the financial controller of Crown International Corporation Limited (stock code: 727) and an independent non-executive director of Beaver Group (Holding) Company Limited (stock code: 8275).

Mr. Leung holds a Bachelor Degree of Business Administration from the Chinese University of Hong Kong. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Dr. LIAO Junping (廖俊平) (“Dr. Liao”), aged 56, was appointed as an independent non-executive Director on 23 October 2017 and is primarily responsible for supervising and providing independent judgement to the Board. Dr. Liao is also a member of the Nomination Committee.

Dr. Liao has more than 34 years of experiences in providing property-related tertiary education. From July 1983 to November 1984, Dr. Liao was a supervision engineer in the infrastructure department of Wuhan Urban Construction Institute* (武漢城市建設學院) and was responsible for overseeing building projects. From December 1984 to October 1992, Dr. Liao was a teacher in the urban management department of Wuhan Urban Construction Institute and participated in founding the urban management and real estate management tertiary education courses of the institute. From October 1992 to May 1995, Dr. Liao was a lecturer in the construction management department of Wuhan Urban Construction Institute. From May 1995 to April 1998, Dr. Liao was a lecturer and then associate professor of the property operations and management courses in the department of economics in Lingnan (University) College, Sun Yat-Sen University* (中山大學嶺南學院). From April 1998 to January 2002, Dr. Liao was an associate professor and deputy head of the business management department of Lingnan (University) College, Sun Yat-Sen University. Since January 2002, Dr. Liao has been serving as an associate professor and afterward, a professor in the business management department of Lingnan (University) College, Sun Yat-Sen University. He is also currently the director of the Centre of Real Estate Studies in Lingnan (University) College, Sun Yat-Sen University.

Dr. Liao is also currently the vice-president of the China Institute of Real Estate Appraisers and Agents* (中國房地產估價師與房地產經紀人學會), the founding member of the board of China Association of Real Estate Academicians* (中國高等院校房地產學者聯誼會), the founding president of the Guangzhou Association of Real Estate Agents* (廣州市房地產中介協會), the founding member of the council of directors of the Global Chinese Real Estate Congress* (世界華人不動產學會), the chairman of the Sun Yat-Sen University Branch of China Democratic National Construction Association* (民建中山大學支部), a member of the National Property Development and Management for Tertiary Education Institutes Committee (全國高等學校房地產開發與管理和物業管理學科專業指導委員會) from 2013 to 2018, and a member of the Eleventh and the Twelfth Guangdong Provincial Committee of the Chinese People’s Political Consultative Conference. Dr. Liao had previously served as the president of the Guangzhou Real Estate Appraisal Association* (廣州市房地產評估專業人員協會) in between 2004 and 2010.

Dr. Liao obtained his bachelor’s degree in civil engineering from Zhejiang University* (浙江大學) in 1983, his master’s degree in engineering management from Tongji University in July 1989, and his doctorate degree in world economics from Lingnan (University) College, Sun Yat-Sen University in June 2007. Dr. Liao was certified as a certified real estate appraiser in September 1994.

Mr. TIAN Qiusheng (田秋生) (“Mr. Tian”), aged 64, was appointed as an independent non-executive Director on 23 October 2017 and is primarily responsible for supervising and providing independent judgement to the Board. Mr. Tian is also the chairman of the remuneration committee and a member of the Audit Committee and Nomination Committee.

Mr. Tian has more than 24 years of experiences in providing business and finance related tertiary education. From July 1982 to July 2005, Mr. Tian held different positions in the School of Economics of Lanzhou University, including being the deputy head of the department. Since July 2005, Mr. Tian has held various positions in South China University of Technology, including being the deputy head of the economics and trade department, the general manager of the finance department, and the director of the regional business research centre of the university from July 2015 to June 2017.

Mr. Tian is also a member of the China International Finance Society, a guest economist of the National Bureau of Statistics for China’s economic climate survey, a member of the National Higher Education Self-educated Examination Steering Committee, a member of the Academic Committee under the Guangdong Finance Institute, a member of the Academic Committee under the Guangdong Regional Financial Policy Research Center, the director of the Academic Committee under the Guangdong Industry Research Institute, a member of the Teaching Steering Committee of the National Economics Management Experimental Teaching Demonstrative Center (Zhongshan University), a vice president of the Guangdong Financial Think-tank Federation, a financial consultant for Guangdong Province, an expert member of the Decision-making and Advisory Committee of the Guangdong People’s Government, and a counselor of the Guangdong People’s Government.

Mr. Tian is currently an independent non-executive Director of Zhuhai Port Holdings Group Limited, a company listed on the Shenzhen Stock Exchange (stock code: 507) Guangzhou Lingnan Holding Joint-Stock Company Limited* (廣州嶺南控股股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 524), Livzon Pharmaceutical Group Inc.* (麗珠醫藥集團股份有限公司), a company listed on the Stock Exchange (stock code: 1513), Wanlian Securities Joint-Stock Company Limited* (萬聯證券股份有限公司), Zhuhai Rural Commercial Bank Company Limited* (珠海農商銀行股份有限公司), and Guangdong Audiowell Technology Joint-Stock Company Limited* (廣東奧迪威傳感科技股份有限公司).

Mr. Tian obtained his bachelor’s degree in Economics from the Lanzhou University in June 1982 and his doctorate degree in Economics from the Northwest University in the PRC* (西北大學) in June 2001.

Mr. DU Chenhua (杜稱華) (“Mr. Du”), aged 50, was appointed as an independent non-executive Director on 23 October 2017 and is primarily responsible for supervising and providing independent judgement to the Board. Mr. Du is also a member of the Audit Committee.

Previously, from February 1997 to December 2003, Mr. Du was the manager of the legal department of Guangdong Guangkong Group Limited* (廣東廣控集團有限公司) which was then a wholly-owned subsidiary of China Guangfa Bank. From January 2004 to December 2014, Mr. Du was a senior partner of Guangdong Guardian Law Firm and was mainly responsible for providing legal services. Since February 2015, Mr. Du has been a director of Guangdong Yingdu Law Firm* (廣東瀛杜律師事務所).

Mr. Du is currently the deputy general manager of the Guangzhou Law Society Civil Law Committee* (廣州市法學會民法專業委員會), a manager of the Guangzhou Law Society Distressed Assets Committee* (廣州市律師協會不良資產專業委員會), a representative of the Guangdong Province Lawyer's Congress* (廣東省律師代表大會), and a committee member of the Guangzhou Arbitration Commission.

Mr. Du obtained his bachelor's degree in law from Wuhan Institute of Water Transportation* (武漢水運工程學院) in June 1992, his bachelor's degree in finance from the Nanjing University International Business School in July 1996, his master's degree in law from Jinan University in June 2002, and his doctorate degree in law from Wuhan University in December 2012. Mr. Du was qualified as a lawyer by the Department of Justice in Guangdong Province in April 2015.

Senior management

Mr. XU Peng (徐鵬) (“Mr. Xu”), aged 40, joined the Group in January 2016 as a deputy general manager and is currently primarily responsible for the sales of first-hand property projects of the Group.

Prior to joining the Group, Mr. Xu was a sales director at Guangdong Nonghao Group Yantang Property Development Limited* (廣東農壑集團燕塘地產開發公司) in between July 2001 and March 2007, and was primarily responsible for sales. In between March 2007 and May 2009, Mr. Xu was a deputy sales director at Guangzhou Qintian Property Group Limited* (廣州市勤天地產集團有限公司), and was primarily responsible for sales. In between May 2009 and March 2010, Mr. Xu was a deputy general manager at Guangzhou Jiuru Real Estate Consultancy Limited* (廣州九如房地產諮詢有限公司), and was responsible for providing real estate consultancy services. In between March 2010 and March 2011, Mr. Xu was a project director at Guangzhou WorldUnion Property Consultancy Company Limited* (廣州市世聯房地產諮詢有限公司), and was primarily responsible for sales. In between March 2011 and July 2011, Mr. Xu was a sales director at Cinese Group* (富盈地產集團), and was primarily responsible for sales. From August 2011 to December 2015, Mr. Xu worked for the Fineland Group as a senior manager of the marketing department and was mainly responsible for the sales and marketing of properties.

Mr. Xu obtained his bachelor's degree in real estate operations and management from Huazhong University of Science and Technology in June 2001 and his master's degree in law from Sun Yat-Sen University in June 2006.

Ms. ZHU Xiaoming (朱曉明) (“Ms. Zhu”), aged 35, joined the Group in March 2012 as a manager of the primary property sales department of Guangzhou Fineland Property Consultancy and was primarily responsible for project management and sales, and was eventually promoted to be the deputy general manager of Guangzhou Fineland Property Consultancy in January 2016. Ms. Zhu is currently primarily responsible for the sales of primary property projects of the Group.

Prior to joining the Group, Ms. Zhu was a senior planning manager at Jingboheng Property Consultancy Limited* (景博行地產諮詢有限公司) in between January 2005 and March 2011, and was primarily responsible for sales planning. In between April 2011 and March

2012, Ms. Zhu worked for Guangdong Chuanghong Investment Company Limited* (廣東創鴻投資有限公司) and Guangzhou Wanye Property Development Company Limited* (廣州萬業房地產開發有限公司), and was primarily responsible for sales planning.

Ms. Zhu completed a higher education course in journalism from Sun Yat-Sen University in January 2013. Mr. XU Peng and Ms. ZHU Xiaoming do not have any current or past directorships in any listed companies.

Company secretary

Mr. TSO Ping Cheong, Brian (曹炳昌) (“Mr. Tso”), aged 39, joined the Group on 21 March 2017 as company secretary.

Mr. Tso is currently a director of a corporate services company and has over 15 years of accounting and financial experience. Mr. Tso was admitted as a member of the Hong Kong Institute of Certified Public Accountants in September 2008, a fellow of the Hong Kong Institute of Certified Public Accountants in October 2015, a fellow of the Association of Chartered Certified Accountants in October 2011, an associate of The Hong Kong Institute of Chartered Secretaries in January 2014, a fellow of The Hong Kong Institute of Chartered Secretaries in November 2015, an associate of The Institute of Chartered Secretaries and Administrators in January 2014 and a fellow of the Institute of Chartered Secretaries and Administrators in November 2015.

Mr. Tso obtained his bachelor’s degree in accountancy in November 2003 and master’s degree in corporate governance in October 2013 from the Hong Kong Polytechnic University.

Since the GEM Listing on 15 November 2017 and up to the date of this announcement, there has been no material change in the composition of the Board and the senior management of the Company.

COMPETING INTERESTS

As at the date of this announcement, none of the Directors or Controlling Shareholders or their respective close associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rules 8.10(1) and 8.10(2) of the Main Board Listing Rules.

CONTROLLING SHAREHOLDERS

As at the date of this announcement, Mr. Fong and Ms. Tse, through their respective investment holding companies (namely, Mr. Fong’s Holding Companies, Stand Smooth, Aspiring Vision and Mansion Green) are beneficially interested in 216,000,000 Shares, collectively representing 54% of the entire issued share capital of the Company. Mr. Fong, Ms. Tse, Mr. Fong’s Holding Companies, Stand Smooth, Aspiring Vision and Mansion Green are hence a group of Controlling Shareholders. There has been no change in the shareholding of the Controlling Shareholders in the Company since the GEM Listing on 15 November 2017 and up to the date of this announcement.

Continuing Connected Transactions

As at the date of this announcement, there are ongoing continuing connected transactions between the Group and certain connected persons of the Group, namely (i) Ms. Tse Lai Wa (“**Ms. Tse**”), one of the Controlling Shareholders and an executive Director of the Company, and therefore a connected person of the Company; (ii) Ms. Zheng Xin (“**Ms. Zheng**”), the daughter of Ms. Tse, and therefore a connected person of the Company; (iii) Fineland Group Holdings, one of the Controlling Shareholders and therefore a connected person of the Company; and (iv) members of the Fineland Group, as Fineland Group Holdings is one of the Controlling Shareholders and therefore members of the Fineland Group (other than members of the Group) are connected persons of the Company.

Non-exempt continuing connected transactions

On 11 October 2017, the Company (for itself and on behalf of its subsidiaries, as service providers) and Fineland Group Holdings (for itself and on behalf of its subsidiaries, as service recipients) entered into a master agency service agreement (the “**Master Agency Service Agreement**”), pursuant to which the Group agreed to provide real estate agency services in the primary property market to members of the Fineland Group for a term commencing from the date thereof to 31 December 2019.

Pursuant to the Master Agency Service Agreement, the Group will provide the following types of services to members of the Fineland Group:

- (a) pre-sales marketing services — including (i) formulating the overall sales and marketing strategies; (ii) overseeing the preparation of marketing materials such as promotional leaflets and letter of intent to purchase real estate; and (iii) providing regular reports in relation to the market conditions and the corresponding sales and marketing strategies;
- (b) sales agency services — including (i) conducting on-site promotion and distributing the promotional materials to prospective purchasers; and (ii) entering into sale and purchase agreements for and on behalf of members of the Fineland Group in respect of the sale of primary properties;
- (c) leasing agency services — including (i) conducting relevant market research and analysis and formulating the corresponding marketing strategies; (ii) preparing marketing materials; (iii) promoting the properties to prospective tenants; and (iv) assisting in the negotiation of leasing terms and conditions with prospective tenants; and
- (d) Integrated Services — including providing customer services to the purchasers such as assisting the purchasers with obtaining the relevant ownership certificates and applying for mortgages from banks.

The supplemental master agency service agreement dated 26 September 2018 was entered into between the Company (for itself and on behalf of its subsidiaries, as the service providers) and Fineland Group Holdings (for itself and on behalf of its subsidiaries, as the receiving parties) (the “**Supplemental Master Agency Service Agreement**”), pursuant to which the Group agreed to continue to provide real estate agency services in the primary property market to members of the Fineland Group subject to the revised annual caps (the “**Revised Annual Caps**”) for a term commencing from the date of approval of the Company’s Independent Shareholders who were not required to abstain from voting at the extraordinary general meeting convened by the Company (the “**EGM**”) to 31 December 2020. Save for the revision of annual caps and the extension of the term of the agreement, all other terms in the Supplemental Master Agency Service Agreement remained the same as those of the Master Agency Service Agreement. The EGM was held on 28 November 2018 and the Supplemental Master Agency Service Agreement, along with the transactions contemplated thereunder and the Revised Annual Caps for the three years ending 31 December 2020 (as defined below), were approved, confirmed and ratified.

As disclosed in the circular of the Company dated 7 November 2018, the Directors estimated that the Revised Annual Caps in relation to the services to be provided under the Supplemental Master Agency Service Agreement for each of the three years ending 31 December 2020 will not exceed RMB91.0 million, RMB106.0 million and RMB118.0 million, respectively.

For the year ended 31 December 2018 and 2019, the actual transaction amounts under the Supplemental Master Agency Service Agreement were approximately RMB88.6 million and RMB105.7 million, respectively, representing 38.7% and 41.2% of the Group’s revenue for those respective periods.

As one or more of the applicable percentage ratios (under the GEM Listing Rules) in respect of the Revised Annual Caps for the transactions contemplated under the Supplemental Master Agency Service Agreement is, on an annual basis, expected to be more than 5%, the transactions contemplated under the Supplemental Master Agency Service Agreement are subject to annual review, reporting, announcement and independent shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

No excessive reliance on the Fineland Group

The Directors consider that despite (i) certain continuing connected transactions, such as licensing of trademark and leasing of properties, which constituted de minimis transactions and are fully exempt from reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules and Chapter 14A of the Main Board Listing Rules, and (ii) the revenue generated from non-exempt continuing connected transactions in relation to the Supplemental Master Agency Service Agreement (the “**Connected Transactions**”), which accounted for 28.6%, 38.7%, and 41.2% of the Company’s total revenue for 2017, 2018 and 2019, respectively, the Company is capable of carrying on its businesses independently of and does not place undue reliance on the Fineland Group, and the Company’s business is sustainable due to the following reasons:

(a) *The likelihood that the relationship with the Fineland Group will materially adversely change or terminate is low*

The Group has developed well-established long term relationship with the Fineland Group over the past two decades of cooperation. The Group has been providing agency services to the Fineland Group since 1998, and the two have since then maintained a good business relationship and there has not been any interruption in such business relationship over the past 22 years. Given that Mr. Fong, the chairman of the Group and a non-executive Director, is also the chairman, president and executive director of the Fineland Group, as far as the Directors are aware, it is highly unlikely that the Group's business relationship with the Fineland Group will suddenly change or terminate in the future.

For each of the years comprising the Track Record Period, over 80% of the Fineland Group's sales in the primary property market had been transacted by the Group as its real estate agent respectively. Furthermore, the Group has upgraded the Online Referral Platform, such that it can be fully integrated with the Fineland Group to allow seamless and efficient use of the Group's resources, thereby greatly reducing the time and cost needed for the Fineland Group to reach out to a vast number of real estate agents without directly entering into a business relationship with them. If the Fineland Group were to cease its business relationship with the Group, it would have to incur more costs and time to re-establish relationships at similar levels with alternative property agents. Accordingly, the Group's provision of the agency services to the Fineland Group is a mutual and complementary arrangement.

(b) *The Group is an established real estate agency and operates independently from the Fineland Group*

Other than the Connected Transactions which are conducted in the ordinary course of business, the Group operates its own key functions including the sales, marketing and procurement function completely independently from the Fineland Group. Furthermore, the Group is an established real estate agency in Guangzhou, operating since 1997, and has a proven track record of carrying on its business independently of transactions with connected persons. As such, the Directors believe that it is the Group's reputation for quality of service and goodwill in the real estate agency services industry, rather than its relationship with the Fineland Group, that enables the Group to capture business opportunities.

While the Company has aggregated the revenue derived from transactions with the Fineland Group for 2017, 2018 and 2019, as presented above, there were actually 40 different legal entities under the Fineland Group umbrella who were customers of the Group. Each member of the Fineland Group selects its agents independently by performing its own internal evaluation and bidding procedures. In addition, the Group is not an exclusive agent of the Fineland Group and in order to secure a mandate to provide real estate agency services to the Fineland Group, it is required to submit tenders and carry out the same bidding process as other competitors in the market. The terms of the continuing connected transactions with the Fineland Group are fair and reasonable and are comparable to those of similar transactions entered into with other customers who are independent third parties.

(c) *The Group is, and will be, able to effectively mitigate its exposure to any material adverse changes to or termination of the relationship with the Finland Group*

Even if, in the very unlikely circumstance that there are any material adverse changes to or termination of the Group's relationship with the Finland Group, the Group will be able to effectively mitigate its exposure for the following reasons:

- (i) **Diversification of customer base:** Other than the Finland Group, the Group has a well-established network and business relationship with a diversified client base of property developers who are independent third parties. During the Track Record Period, 221 out of the 261 customers which the Group provided services to were independent from the Finland Group. Since the GEM Listing, the Group has entered into contracts with over 16 real estate enterprises that are part of the prestigious China Real Estate Top 100 Enterprises list and has provided agency services to other well-known new clients, all of whom are independent third parties (independent customers). The rapid increase in number of independent customers is illustrated below. The relatively larger portion of customers who are members of the Finland Group (connected customers) as opposed to those who are independent customers for 2018 was mainly due to the coincidental timing of new projects of the Finland Group being newly launched for sale, the increase in potential projects needing property research and consultancy services, and the recent increased popularity of the Group's Online Referral Platform, whereby its better integration with the Finland Group gives rise to more new customers who are members of the Finland Group. It is expected that the Group's upgraded Online Referral Platform will be further rolled out and marketed to other customers who are independent third parties, therefore the proportion of independent customers is expected to increase going forward.

The table below sets out the number and percentage of the Group's independent customers and connected customers for the indicated periods:

	For the year ended 31 December					
	2017		2018		2019	
	Number of customers	Percentage of the total customers	Number of customers	Percentage of the total customers	Number of customers	Percentage of the total customers
Independent customers	82	82.0%	106	79.1%	135	85.4%
Connected customers	18	18.0%	28	20.9%	23	14.6%
Total	100	100.0%	134	100.0%	158	100.0%

The table below sets out a breakdown of the total contract value of the property units sold and average commission rate charged attributable to the Group's primary real estate agency services and Online Referral Platform services⁽¹⁾, by independent customers and connected customers for the indicated periods:

	For the year ended 31 December					
	2017		2018		2019	
	Total contract value of the property units sold ⁽²⁾ RMB'000	Average commission rate ⁽³⁾ %	Total contract value of the property units sold ⁽²⁾ RMB'000	Average commission rate ⁽³⁾ %	Total contract value of the property units sold ⁽²⁾ RMB'000	Average commission rate ⁽³⁾ %
Primary real estate agency services						
Independent customers	2,289,780	2.2389	3,919,174	1.7446	5,260,731	0.9314
Connected customers	4,551,418	0.8934	5,302,695	1.0450	6,394,459	0.9493
Subtotal:	6,841,198	1.3437	9,221,869	1.3423	11,655,190	0.9413
Online Referral Platform services						
Independent customers	727,596	4.6453	907,921	5.2333	2,101,035	3.2242
Connected customers	203,065	2.8311	614,304	5.2152	996,248	5.8920
Subtotal:	930,661	4.2495	1,522,225	5.2260	3,097,283	4.0823

Notes:

1. This table only includes the Group's primary real estate agency services and Online Referral Platform services as all the revenue generated from provision of secondary real estate agency services has been included as revenue from independent customers and contract value and commission rate are generally not applicable for the Group's property research and consultancy services and integrated services. For details, please refer to the section headed "Management Discussion and Analysis — Revenue" in this announcement.
2. The Group did not record number of units sold in respect of its primary real estate agency services not using the Online Referral Platform services as such number had not been a consistent basis for calculating the revenue for all of these projects. Revenue was calculated according to the total contract value of the property units sold in most of these contracts.

Meanwhile, during the Track Record Period, the Group recorded the number of property units handled by the Group in respect of the Online Referral Platform services as it was a basis for calculating the revenue. Such arrangement incentivized third party real estate agencies to promote the projects in a short period of time as the term of contract in respect of the Online Referral Platform services is usually shorter than the term of the ordinary primary real estate services contracts. During 2017, 2018 and 2019, the number of units sold utilising the Online Referral Platform were 873, 1,123 and 2,156 respectively.

3. The average commission rate equals to revenue derived from the relevant real estate agency services divided by the corresponding total contract value of the property units sold. The average commission rate is not relevant to whether the customer is a member of or independent from the Finland Group. Instead, it may vary due to different factors, mainly including the amount of sales (for example, higher commission rate for the total number or contract value of the property units sold above certain sales target) or difficulty of the sales (for example, higher commission rate for more difficult sales, like for certain room-type or specific property unit).

The average commission rate for the Group's Online Referral Platform services was generally higher than that for its primary real estate agency services during the Track Record Period as the Online Referral Platform was usually used by the property developers for projects that could not meet their sales target by using internal channels, especially when such projects are in non-prime locations where the market interest is lower, and thus require a higher commission rate to attract more third party real estate agencies to bring in purchasers. The average commission rate for primary real estate agency services remained steady from 2017 to 2018, and dropped to 0.94% in 2019 as certain projects in Qingyuan which generated higher commission rates had largely wrapped up in 2018. The average commission rate for Online Referral Platform services increased from 2017 to 2018 mainly due to property developers offering higher commissions, including for certain projects with unsold units and commercial shops in the last stages of the sales cycle. The average commission rate for Online Referral Platform services then dropped in 2019 as more projects utilised this platform, with units sold utilising the Online Referral Platform increasing from 1,123 to 2,156 for 2018 and 2019, respectively, and more revenue was attributable to projects with lower commission rates compared to that for previous years. In addition, there was an increase in Guangzhou projects utilising this platform, and these projects tended to have lower commission rates as the location is more desirable.

- (ii) **Business focus on the primary property market:** In particular, the Group has been actively building up relationships with other primary property developers (including their designated sales agencies), and the Group's business in primary real estate market has expanded to cover most of the nine cities of the Greater Bay Area in Guangdong. Of the 74 new customers (which refer to the customers of which no transaction amount has been recorded from them for the previous year, but there is transaction amount with them recorded for the subject year) which the Group has gained in 2019, 69 of them are independent third parties.
- (iii) **Expansion into the Greater Bay Area:** The Group used to be mainly focused on the property market in Guangzhou. In the foreseeable future, the Group will further explore opportunities in other cities of the Greater Bay Area, with an aim to seize and grab more market share in those markets. It is expected that the Greater Bay Area will be one of the key development areas in the PRC, with a number of favourable government policies supporting its rapid development, such as recent government initiatives to develop the area into a new technological, financial and business hub. With these prospects, the government has also indicated its support for allowing sufficient and stable land supply in the Greater Bay Area, which is a positive boost to the property market. With an expected growth in population in the Greater Bay Area, it is not difficult to foresee greater demands for housing, thereby providing a steady increase in demand for the real estate agency services. For this, the Company has implemented various strategies, including maintaining its presence in core cities such as Guangzhou while accelerating its expansion of its agency network to cover more new cities in the Greater Bay Area, actively engaging with both internal and external sales and

distribution channels. As such, the Company has the ability to find substitute customers and it has the necessary industry experience, skills and network to break off the reliance on the Fineland Group.

(d) The Group is financially independent from the Fineland Group

The Group is financially independent from the Fineland Group as demonstrated by a number of factors. These include the Group having its own accounting and financial department and an independent financial system and making financial decisions independently according to its own business and operation needs, the Group having sufficient capital to operate its business independently, and having adequate internal resources and credit profile to support its daily operations. Since the GEM Listing on 15 November 2017, the Group has not received any financial assistance from the Fineland Group and has been in a healthy and profitable financial position. In addition, the Group has its own treasury function and has independent access to third party financing on market terms and conditions for its business operations, as and when required, and the Group also has independent bank accounts and does not share any of its bank accounts, loan facilities or credit facilities with the Fineland Group or their respective close associates.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for viewing on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.finelandassets.com:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Directors' report and the annual report of the Company for the year ended 31 December 2019;
- (c) the first quarterly report 2020 of the Company for the three months ended 31 March 2020;
- (d) the interim report of the Company for the six months ended 30 June 2019;
- (e) the circular of the Company dated 7 November 2018 and the clarification announcement dated 26 November 2018, in respect of the proposed revision of annual caps for the existing continuing connected transactions and notice of extraordinary general meeting;
- (f) the Directors' report and the annual report of the Company for the year ended 31 December 2018;
- (g) the circular of the Company dated 28 March 2019 in respect of the general mandates to issue and repurchase Shares, proposed re-election of retiring Directors, and notice of annual general meeting;

- (h) the circular of the company dated 27 March 2020 in respect of the general mandates to issue and repurchase shares, proposed re-election of retiring Directors and notice of annual general meeting; and
- (i) a copy of each of the announcements and other corporate communications made by the Company as required under the GEM Listing Rules and the Main Board Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“Articles of Association”	the articles of association of the Company as adopted by the Company from time to time
“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 one of the Controlling Shareholders
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“close associate(s)”	has the meaning ascribed to it under the Main Board 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, the Shares of which are currently listed on GEM
“Controlling Shareholders”	has the meaning ascribed to it under the Main Board Listing Rules, and in the context of this announcement, means a group of the controlling shareholder(s) of the Company namely, Mr. Fong, Ms. Tse, Mr. Fong’s Holding Companies, Stand Smooth, Aspiring Vision and Mansion Green
“COVID-19”	novel coronavirus disease 2019
“C&W”	Cushman & Wakefield Limited, an independent market research agency

“C&W Report”	the market research report commissioned by the Group and prepared by C&W in connection with the Transfer of Listing
“Directors”	the directors of the Company
“Fineland Group”	Fineland Group Holdings and its subsidiaries, being the parent group of the Group
“Fineland Group Holdings”	Fineland Group Holdings Limited, formerly known as Fineland Real Estate Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability on 22 June 2016, and one of the Controlling Shareholders
“GEM”	GEM of the Stock Exchange
“GEM Listing”	listing of the Shares on GEM on 15 November 2017
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as may be amended, supplemented or otherwise amended from time to time
“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
“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 an indirect wholly-owned subsidiary of the Company and the principal operating subsidiary of the Group.
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Integrated Services”	the business segment of the Company that provides value-added services to its customers, including through the <i>Zhaoshangyi</i> business and the One-stop Service Centre business
“independent third party(ies)”	an individual(s) or a company(ies) who or which is/are not connected with (within the meaning of the GEM Listing Rules) any Directors, chief executive or substantial shareholders (within the meaning of the GEM Listing Rules), of the Company, its subsidiaries or any of their respective associates
“Latest Practicable Date”	10 May 2020, being the latest practicable date for the purpose of ascertaining certain information contained in this announcement
“Listing Committee”	the listing sub-committee of the Stock Exchange
“Main Board”	the securities market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as may be amended, supplemented or otherwise modified from time to time
“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 70% by Stand Smooth and 30% by Aspiring Vision, and one of the Controlling Shareholders
“Memorandum of Association”	the memorandum of association of the Company as amended from time to time
“Mr. Fong”	Mr. Fong Ming (方明), one of the Controlling Shareholders and the non-executive Director
“Mr. Fong’s Holding Companies”	includes Hero Dragon Management Limited, a company incorporated in the BVI on 12 April 2006, with limited liability, Fineland Group Holdings and Widethrive Investments Limited, a company incorporated in the BVI on 29 March 2006 with limited liability
“Ms. Tse”	Ms. Tse Lai Wa (謝麗華), one of the Controlling Shareholders and an executive Director
“Nomination Committee”	the nomination committee of the Board

“One-stop Service Centre”	a business line of the Group through which the Group offers a range of value-added services, such as tenancy management services, property repair and maintenance services and design and furnishing services, as well as assisting purchasers to obtain ownership certificates and apply for mortgages from banks
“Online Referral Platform”	the <i>Fangyuanbao</i> business and platform acquired by the Group in May 2016 and which has been operated by the Group since then, and 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
“Pearl River Delta”	the economic zone in Guangdong Province comprising Guangzhou, Shenzhen, Dongguan, Foshan, Jiangmen, Zhongshan, Zhuhai, and the urban areas of Huizhou and Zhaoqing
“PRC” or “China”	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 announcement only geographical references to the PRC or China exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus of the Company dated 31 October 2017
“Remuneration Committee”	the remuneration committee of the Board
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) with par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme adopted by the Company on 23 October 2017
“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 one of the Controlling Shareholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Track Record Period”	the three financial years ended 31 December 2019

“Transfer of Listing”	the transfer of listing of the Shares from GEM to the Main Board pursuant to Chapter 9A and Appendix 28 of the Main Board Listing Rules
“Zhaoshangyi”	a business line of the Group through which the Group assists property developers in sourcing prospective lessees for commercial units in primary market development projects
“%”	per cent
“m ² ” or “sq.m.”	square metre

If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translation, the Chinese names shall prevail. The English translation of such names are marked with “” and are for identification purposes only.*

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

Hong Kong, 20 May 2020

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules and the Main Board 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 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 herein or this announcement misleading.

This announcement will remain on the website of the Stock Exchange at www.hkexnews.hk on the “Latest Information” page for at least 7 days from the date of its posting and will be published on the Company’s website at www.finelandassets.com.