# Fortune Sun (China) Holdings Limited
# 富陽（中國）控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*
(Stock Code: 00352)

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of Fortune Sun (China) Holdings Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 together with the comparative figures for 2018 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2019*

| | *Notes* | **2019** **RMB'000** | 2018 RMB'000 |
|---|---|---|---|
| **Revenue** | 4 | **14,371** | 26,103 |
| Cost of sales | | **(14,540)** | (21,500) |
| **Gross (loss)/profit** | | **(169)** | 4,603 |
| Investment income and other gains and losses, net | 5 | **1,503** | 2,474 |
| Operating and administrative expenses | | **(18,004)** | (13,981) |
| Finance cost | 6 | **(33)** | — |
| **Loss before tax** | | **(16,703)** | (6,904) |
| Income tax expense | 8 | **—** | — |
| **Loss for the year** | 9 | **(16,703)** | (6,904) |
| **(Loss)/profit for the year attributable to:** | | | |
| Owners of the Company | | **(12,432)** | (7,553) |
| Non-controlling interests | | **(4,271)** | 649 |
| | | **(16,703)** | (6,904) |
| | | ***RMB cents*** | *RMB cents* |
| **Loss per share** | 11 | | |
| — Basic | | **(5.05)** | (3.08) |
| — Diluted | | **(5.05)** | (3.08) |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2019*

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Loss for the year** | **(16,703)** | (6,904) |
| **Other comprehensive income:** | | |
| *Item that may be reclassified subsequently to profit or loss:* | | |
| Exchange differences on translating of foreign operations | **125** | 17 |
| **Other comprehensive income for the year, net of tax** | **125** | 17 |
| Total comprehensive expense for the year | **(16,578)** | (6,887) |
| **Total comprehensive (expense)/income attributable to:** | | |
| Owners of the Company | **(12,307)** | (7,536) |
| Non-controlling interests | **(4,271)** | 649 |
| | **(16,578)** | (6,887) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2019*

| | Notes | **2019** *RMB'000* | 2018 *RMB'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **1,247** | 1,526 |
| Right-of-use assets | | **555** | — |
| Investment properties | | **3,146** | 3,240 |
| Golf club membership | | **291** | 291 |
| | | **5,239** | 5,057 |
| **Current assets** | | | |
| Trade receivables | 12 | **11,443** | 14,085 |
| Trade deposits | 13 | **500** | 500 |
| Prepayments and other deposits | | **1,449** | 1,194 |
| Other receivables | | **1,109** | 1,237 |
| Bank deposits | | **17,911** | 24,090 |
| Bank and cash balances | | **10,528** | 25,005 |
| | | **42,940** | 66,111 |
| **Current liabilities** | | | |
| Accruals and other payables | | **8,080** | 17,013 |
| Lease liabilities | | **475** | — |
| | | **8,555** | 17,013 |
| **Net current assets** | | **34,385** | 49,098 |
| **Total assets less current liabilities** | | **39,624** | 54,155 |
| **Non-current liabilities** | | | |
| Lease liabilities | | **90** | — |
| **NET ASSETS** | | **39,534** | 54,155 |
| **Capital and reserves** | | | |
| Share capital | | **24,394** | 24,394 |
| Reserves | | **13,084** | 25,332 |
| Equity attributable to owners of the Company | | **37,478** | 49,726 |
| Non-controlling interests | | **2,056** | 4,429 |
| **TOTAL CAPITAL AND EQUITY** | | **39,534** | 54,155 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2019*

## 1. GENERAL INFORMATION

Fortune Sun (China) Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 28 January 2003 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1–1001, Cayman Islands. The address of its principal place of business in Hong Kong is 16th Floor, Sun Life Tower, The Gateway, Harbour City, 21 Canton Road, Tsim Sha Tsui, Hong Kong and its head office is located at Unit 901, 9th Floor, Orient Building, No. 1500 Century Avenue, Pudong New District, Shanghai, the People's Republic of China (the "**PRC**"). The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 5 July 2006.

The Company is an investment holding company. The Group is principally engaged in providing property consultancy and sales agency services for the property markets in the PRC and Southeast Asia.

In the opinion of the directors of the Company ("**Directors**"), Active Star Investment Limited, a company incorporated in the British Virgin Islands ("**BVI**"), is the ultimate parent and Mr. Chiang Chen Feng and Ms. Chang Hsiu Hua are the ultimate controlling parties of the Company.

## 2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the "**Listing Rules**") and with the disclosure requirements of the Hong Kong Companies Ordinance. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and amendments to HKFRSs and an interpretation that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on the changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

## 3. ADOPTION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

### (a) Adoption of new and amendments to HKFRSs — effective on 1 January 2019

| | |
|---|---|
| HKFRS 16 | Leases |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| Annual Improvements to HKFRSs 2015–2017 Cycle | Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 |

***HKFRS 16 — Leases***

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, Determining whether an arrangement contains a lease, HK(SIC) 15, Operating leases — Incentives, and HK(SIC) 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessee, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

*New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

*Lessee accounting and transitional impact*

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3.66%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

| | *RMB'000* |
|---|---|
| Operating lease commitments disclosed as at 31 December 2018 | 1,607 |
| Lease liabilities discounted at relevant incremental borrowing rates | 1,549 |
| Less: Practical expedient — leases with lease term ending within 12 months from the date of initial application | (237) |
| Lease liabilities as at 1 January 2019 | 1,312 |
| Analysed as: | |
| Current | 747 |
| Non-current | 565 |
| | 1,312 |

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

| | **Carrying amounts previously reported at 31 December 2018**<br>*RMB'000* | **Adjustments**<br>*RMB'000* | **Carrying amounts under HKFRS 16 at 1 January 2019**<br>*RMB'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Right-of-use assets | — | 1,312 | 1,312 |
| **Current liabilities** | | | |
| Lease liabilities | — | 747 | 747 |
| **Non-current liabilities** | | | |
| Lease liabilities | — | 565 | 565 |

*Leasehold investment property*

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("**leasehold investment properties**"). The adoption of HKFRS 16 does not have a significant impact on the Group's consolidated financial statements as the Group previously elected to apply HKAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018.

*Lessor accounting*

In addition to leasing out the investment property as above, the Group leases out properties as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

***HK (IFRIC)–Int 23 — Uncertainty over Income Tax Treatments***

HK(IFRIC)-Int 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires the Group to determine whether uncertain tax positions are assessed separately or as a group and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by individual group entities in their respective income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

***Amendments to HKFRS 9 — Prepayment Features with Negative Compensation***

The amendments clarify that for the purpose of assessing whether a prepayment feature meets the condition of representing solely payments of principal and interest on the principal amount outstanding ("**SPPI**"), the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason i.e. prepayment features with negative compensation do not automatically fail SPPI.

***Amendments to HKAS 19 — Plan Amendment, Curtailment or Settlement***

The amendments clarify that the past service cost (or the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). The change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is recognised in other comprehensive income.

In addition, the Group is required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under paragraph 99 of HKAS 19 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

***Amendments to HKAS 28 — Long-term Interests in Associates and Joint Ventures***

The amendments clarify that an entity applies HKFRS 9 Financial Instruments ("**HKFRS 9**"), including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied that form part of the net investment in the investee. Furthermore, in applying HKFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by HKAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

***Annual Improvements 2015–2017 Cycle — Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23***

The annual improvement packages amended the following four standards.

*HKAS 12 Income Taxes*

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

*HKAS 23 Borrowing Costs*

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

*HKFRS 3 Business Combinations*

The amendments clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at fair value. The previously held interest to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

*HKFRS 11 Joint Arrangements*

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its previously held interest in the joint operation.

Except as disclosed above, the application of other new and revised HKFRSs in the current period has no material effect on the amounts reported and/or disclosures set out in these consolidated financial statements.

**(b) New and amendments to HKFRSs that have been issued but are not yet effective**

The following new and amendments to HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

| | |
|---|---|
| HKFRS 17 | Insurance Contracts[1] |
| Amendments to HKFRS 3 | Definition of a Business[2] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material[4] |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform[4] |

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

*HKFRS 17 — Insurance Contracts*

HKFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4 Insurance Contracts.

HKFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees.

The implementation of HKFRS 17 is likely to bring significant changes to an entity's processes and systems, and will require much greater co-ordination between many functions of the business, including finance, actuarial and information technology.

The standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. The International Accounting Standards Board ("**IASB**") proposed a one year deferral of the effective date for IFRS 17 and extend the temporary exemption for insurers to apply IFRS 9 Financial Instruments. The relevant amendments have not been finalised yet. Finalisation of the relevant amendments by the IASB is expected to have similar deferral on HKFRS 17 (the equivalent of IFRS 17).

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the standard, and the transition date is the beginning of the period immediately preceding the date of initial application. The Directors do not anticipate that the application of the standard in the future will have an impact on the Group's consolidated financial statements.

*Amendments to HKFRS 3 — Definition of a Business*

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

***Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

***Amendments to HKAS 1 and HKAS 8 — Definition of Material***

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

***Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — Interest Rate Benchmark Reform***

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in HKFRS 9 and HKAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments. There are also amendments to HKFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform.

***Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards***

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and consolidated financial statements.

## 4. REVENUE

An analysis of the Group's revenue for the year and disaggregation of revenue from contracts with customers is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Comprehensive property consultancy and sales agency service projects, recognised at a point in time | | |
| Primary geographical markets: | | |
| China | **10,274** | 23,840 |
| Cambodia | **2,543** | 683 |
| Pure property planning and consultancy service projects, recognised over time | | |
| Primary geographical markets | | |
| China | **1,554** | 1,580 |
| | **14,371** | 26,103 |

## 5. INVESTMENT INCOME AND OTHER GAINS AND LOSSES, NET

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest income on bank deposits | **378** | 477 |
| Interest income on trade receivables | **94** | 532 |
| Gain/(loss) on disposals and write-off of property, plant and equipment | **41** | (11) |
| Net exchange gain | **366** | 1,147 |
| Rental income | **80** | — |
| Reversal of/(provision of) allowance for trade receivables, net | **466** | (53) |
| Provision of allowance for other receivables | **(30)** | (98) |
| Reversal of allowance for trade deposits | **—** | 500 |
| Sundry income/(expense) | **108** | (20) |
| | **1,503** | 2,474 |

## 6. FINANCE COST

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest on lease liabilities | **33** | — |

## 7. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group has carried on a single business which is the provision of agency services for the sale of properties and property consultancy services, with the majority of the business in the PRC, and the assets are substantially located in the PRC. An insignificant portion of the assets is located in an other country. Accordingly, there is only one single reportable segment of the Group which is regularly reviewed by the chief operating decision maker.

**Revenue from major customers**

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Customer A | **4,230** | 11,977 |
| Customer B | **2,116** | 8,325 |
| Customer C | **2,472** | N/A(i) |
| Customer D | **1,447** | N/A(i) |

(i) The corresponding revenue did not contribute over 10% of the Group.

## 8. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax is required since the Company has no assessable profit for both years. The applicable tax rate in Hong Kong is 16.5% (2018: 16.5%).

No PRC Enterprise Income Tax has been made in the current year as the relevant group entities incurred a loss for both years. The applicable PRC Enterprise Income Tax is 25% (2018: 25%).

No provision for Tax on Profit is required for the subsidiary in Cambodia has made as the subsidiary incurred a loss for both years. The applicable tax rate in Cambodia is 20% (2018: 20%) in the current year.

The reconciliation between the income tax expense and the loss before tax for the year multiplied by the PRC enterprise income tax rate is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Loss before tax | **(16,703)** | (6,904) |
| Tax at the PRC income tax rate of 25% (2018: 25%) | **(4,176)** | (1,726) |
| Tax effect of income that is not taxable | **(167)** | (383) |
| Tax effect of expenses that are not deductible | **602** | 439 |
| Tax effect of tax losses not recognised | **2,802** | 745 |
| Tax effect of deductible temporary difference not recognised | **611** | 544 |
| Tax effect of different tax rates in other tax jurisdictions | **328** | 381 |
| Income tax expense for the year | **—** | — |

## 9. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following items:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Auditor's remuneration | **450** | 498 |
| Depreciation of property, plant and equipment | **259** | 274 |
| Depreciation of investment properties | **94** | 94 |
| Depreciation of right-of-use assets | **765** | — |
| (Gain)/loss on disposals and write-off of property, plant and equipment | **(41)** | 11 |
| Net exchange gain | **(366)** | (1,147) |
| Lease charges on land and buildings previously classified as operating leases under HKAS 17 | **—** | 3,138 |
| Gross rental income from investment properties less direct outgoings of RMBNil (2018: RMB Nil) | **(80)** | — |
| Provision of allowance/(reversal of allowance) for, net | | |
| — Trade receivables(*) | **(466)** | 53 |
| — Trade deposits | **—** | (500) |
| — Other receivables | **30** | 98 |

(*) Due to improvement of some project developers' ability to pay during the year under review, there was an improvement of the cash collection from some long aged projects. As a result, allowances made in prior years against trade receivables of approximately RMB600,000 was reversed.

## 10. DIVIDEND

On 31 March 2020, the Directors resolved not to recommend the payment of a final dividend for the year ended 31 December 2019 to the shareholders of the Company (2018: Nil)

## 11. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately RMB12,432,000 (2018: RMB7,553,000) and the outstanding numbers of ordinary shares of 246,183,390 (2018: the weighted average number of ordinary shares of 245,593,527) in issue during the year.

### (b) Diluted loss per share

The computation of diluted loss per share does not assume the conversion of the Company's outstanding share options since their exercise would result in a decrease in loss per share. Therefore, diluted loss per share is the same as the basic loss per share for the two years ended 31 December 2019 and 2018.

## 12. TRADE RECEIVABLES

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **12,230** | 15,338 |
| Less: allowance for trade receivables | **(787)** | (1,253) |
| | **11,443** | 14,085 |

The average credit period granted to trade customers is 90 days. The Group seeks to maintain strict control over its outstanding receivables. Allowance for trade receivables is made after the Directors have considered the timing and probability of the collection on a regular basis.

The ageing analysis of the Group's trade receivables, based on the billing date, and net of allowance is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0 to 90 days | **4,099** | 5,911 |
| 91 to 180 days | **3,482** | 2,947 |
| 181 to 365 days | **1,277** | 1,594 |
| 1 to 2 years | **277** | 162 |
| Over 2 years | **2,308** | 3,471 |
| | **11,443** | 14,085 |

Reconciliation of allowance for trade receivables:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At 1 January | **1,253** | 1,200 |
| Provision of allowance recognised | **134** | 553 |
| Reversal of allowance for the year | **(600)** | (500) |
| At 31 December | **787** | 1,253 |

At the end of the reporting period, the Group reviewed receivables for evidence of impairment on both an individual and collective basis. Allowance recognised for 2019 and 2018 on trade receivables from customers which are experiencing financial difficulties and are in default or delinquency of payments are reviewed and impaired on individual basis.

The carrying amounts of the Group's trade receivables are denominated in RMB.

As of 31 December 2019, trade receivables of approximately RMB7,344,000 (2018: RMB8,174,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Up to 3 months | **3,482** | 2,947 |
| 4 to 9 months | **1,277** | 1,594 |
| 10 to 21 months | **277** | 162 |
| More than 21 months | **2,308** | 3,471 |
| | **7,344** | 8,174 |

Trade receivables that were past due but not impaired related to a number of diversified customers having a good track record with the Group. Based on past experience, the management believes that no further impairment allowance is necessary in respect of these balances as there has been no significant change in credit quality and the balances are still considered fully recoverable.

## 13. TRADE DEPOSITS

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade deposits | **500** | 500 |
| Less: Allowance for trade deposits | **—** | — |
| | **500** | 500 |

Trade deposits represent the amounts paid for comprehensive property consultancy and sales agency service contracts, which are usually refunded to the Group in stages according to various contract terms when the sales volumes specified in the contracts are met.

Allowance for trade deposits is made after the Directors have considered the timing of the collection on a regular basis.

These trade deposits are refundable when the prescribed terms in the underlying agency contracts are achieved. Based on the payment date, ageing analysis of the Group's trade deposits (net of allowance) at the end of the reporting period is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Over 3 years | **500** | 500 |

Reconciliation of allowance for trade deposits:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At 1 January | **—** | 500 |
| Reversal of allowance for the year | **—** | (500) |
| At 31 December | **—** | — |

At the end of the reporting period, the Group reviewed the trade deposits for evidence of impairment on both an individual and collective basis. Allowance recognised for 2019 and 2018 on trade deposits which were individually impaired customers which are experiencing financial difficulties and are in default or delinquency of payments.

As of 31 December 2019, trade deposits of approximately RMB500,000 (2018: RMB500,000) were past due but not impaired. The ageing analysis of these trade deposits is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Over 1 year or above | **500** | 500 |

Trade deposits that were past due but not impaired related to a number of diversified customers having a good track record with the Group. Based on past experience, the management believes that no further allowance is necessary in respect of these balances as there has been no significant change in credit quality and the balances are considered fully recoverable.

## 14. EVENTS AFTER THE REPORTING PERIOD

Following the outbreak of Coronavirus Disease 2019 ("the COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC, which has affected the business and economic activities of the Group to certain extent. Pending on the development and spread of COVID-19 subsequent to the date of these financial results, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group. The overall financial effect of the above cannot be reliably estimated as of the date of these consolidated financial statements. The Group will pay close attention to the development of the COVID-19 outbreak and continue to evaluate its impact on the financial position and operating results of the Group.

## MARKET AND BUSINESS REVIEW

In 2019, generally speaking, the policies in the real estate market in China have been further tightened. The PRC government put its focus on financial risks inherent in real properties and insisted that residential apartments could only be used for the purpose of accommodation but not as tools to stimulate the economy in the short run. Over the year, the control over the capital flow in the real estate industry was consistently stringent. The real estate market was stablised by policies which vary according to the circumstances in different cities, districts and trends. Meanwhile, the operating system of the real estate industry in China improved a lot. The institutional development in terms of residential apartments, land, finance and taxation achieved a remarkable improvement, which laid down a solid foundation for the long-term governance of the real estate industry. The accumulated growth rate of newly built residential apartments in second-tier cities, third-tier cities and fourth-tier cities dropped as compared with the corresponding period last year. The year-on-year increase in the pricing in each of the tiers remained at about 0.5%, which was significantly lower.

For foreign development, with the implementation of the Belt and Road Initiative, the Company has further expanded into the Southeast Asian market. As an important link on the Belt and Road Initiative, Cambodia has always attracted great attention. According to the relevant government authorities, it was expected that the GDP of Cambodia would reach US$26,800,000,000 and the per capita GDP would reach US$1,679 for the year of 2019. The growth rate of GDP would maintain at about 6.5% to 6.8% in 2020. According to the fiscal budget of Cambodia in 2020, to satisfy the long-term development need of the country, their government expenditure will reach US$8,230,000,000 for the year of 2020, representing a year-on-year growth of 22.73%. Although certain commodity goods have been exempted from tax under "Everything but Arms" ("**EBA**") in the second half of 2020, the trade relationship with China will be strengthened continuously, which will help cover the trade losses in that region.

The loss attributable to the owners of the Company increased, mainly because the profit recorded by the Group for the year ended 31 December 2019 decreased significantly as compared with the year ended 31 December 2018. The main reason was that the demand for first-hand properties in certain second-tier and third-tier cities in China declined significantly. The significant decline in demand was mainly attributable to the following factors: (I) the impact of the US-China Trade War; and (II) the Chinese government imposed more conditions on real estate developers and buyers to enhance the level of adjustment, lowering the transaction amount in the real estate market and delaying the sale of certain real estate projects. In general, in 2019, large-scale real estate developers had stronger capital power. Their objective was to complete more deals at a lower price to balance their cash flow. By contrast, the transaction amount of small and medium real estate developers dropped significantly.

Regarding the Group's operations during the year under review on a geographical sense, most of the Group's recorded revenue was generated from projects in Jiangsu Province, followed by Hubei Province and Phnom Penh in Cambodia, which represented approximately 44.4%, 25.5% and 17.8% of the Group's total revenue respectively. On a comparative basis, in 2018, the Group's recorded revenue was mainly generated from projects in Jiangsu Province, followed by Hubei Province and Shanghai. Regarding business and products segments, during the year under review, the revenue generated from the comprehensive property consultancy and sales agency service business remained a major source of income for the Group and accounted for approximately 89.2% of the total revenue (2018: approximately 93.9%), while the revenue generated from the pure property planning and consultancy accounted for approximately 10.8% of the total revenue (2018: approximately 6.1%).

In 2019, the Group recorded revenue of approximately RMB14,371,000, representing a substantial decrease of approximately 44.9% as compared to the revenue in the corresponding period of last year. Gross profit decreased from approximately RMB4,603,000 in last year to approximately RMB169,000 of gross loss in the current year. The cost of sales by approximately 32.4% as compared to corresponding point of last year due to the decrease in revenue, and to the increase in major cost of services such as marketing expenses and staff costs of some major projects, the gross loss was resulted approximately RMB169,000 (representing 1.2% gross loss margin) in 2019 (2018: Gross profit approximately RMB4,603,000, representing 17.6% gross profit margin) during the year under review from approximately 17.6% of gross profit margin in last year. The overall operating and administrative expenses also increased by approximately 28.8% as compared to last year. Thus, the loss for the period attributable to owners of the Company increased to RMB12,432,000 from the loss of RMB7,553,000 for the corresponding period of last year.

## COMPREHENSIVE PROPERTY CONSULTANCY AND SALES AGENCY BUSINESS

During the year under review, the provision of comprehensive property consultancy and sales agency services for the primary property market in the PRC was the core business of the Group. In 2019, most of the revenue of the Group was generated from 12 comprehensive property consultancy and sales agency service projects (2018: 12 projects) with approximately 90,236 square meters (2018: approximately 150,259 square meters) of total saleable gross floor areas of the underlying projects. The reported revenue from these comprehensive property consultancy and sales agency service projects for the year ended 31 December 2019 was approximately RMB12,817,000, representing approximately 89.2% of the total revenue of the Group (2018: approximately RMB24,523,000, representing approximately 93.9% of the total revenue).

As at 31 December 2019, the Group had 12 comprehensive property consultancy and sales agency service projects on hand with total unsold gross floor areas of approximately 784,000 square meters (2018: approximately 544,000 square meters). Among these 12 projects, sales of the underlying properties of 1 project have not yet commenced as at 31 December 2019.

## PURE PROPERTY PLANNING AND CONSULTANCY BUSINESS

During the year ended 31 December 2019, the Group implemented in total 5 pure property planning and consultancy service projects (2018: 5 projects). As a result of the stabilised property market in the PRC, the reported revenue generated from this business segment for the year decreased by approximately 1.6% to approximately RMB1,554,000, representing 10.8% of the total revenue for the year of 2019 (2018: approximately RMB1,580,000, representing 6.1% of the total revenue).

## PROSPECTS AND OUTLOOK

Against the backdrop of the outbreak of the novel coronavirus (COVID-19) (the "**Epidemic**"), it is expected that while the revenue of the Group will drop in the short run, it is expected to be steady in the second or the third quarter of the year 2020. The fluctuation in the industry will be limited for the year.

**I. The impact of the Epidemic will mainly be reflected in the first quarter, and it is expected that the market will recover gradually in the second or the third quarter, but third-tier and fourth-tier cities and cities most impacted by the Epidemic may take longer time to recover.**

***1. The market scale will be smaller in the short run.***

Short-term adjustments are inevitable, because the real estate market is in the progress of steady adjustment. Further, influenced by the Epidemic, the pressure of economic downturn has become greater. Coupling with the closure of sales counters and agencies, the demand for real properties has been oppressed. In the short run, it is expected that there will be fewer transactions in the real estate market, particularly in the first half of the year.

***2. Downward pressure for property price exists, but the level of adjustment will be limited. In general, it will remain steady.***

In terms of property price, the demand will be weak in the short run, while real estate enterprises will actively promote and sell properties, which may result in downward pressure for property price. However, the adjustments in property price have taken place steadily in some major cities for some time already. Under the policy of "stabilising property price", there is limited room for a significant drop, so property price will remain at a steady level in general.

***3. Missed the opportunity to purchase properties in hometown. The markets in third-tier and fourth-tier cities are subject to greater adjustment pressure.***

The domestic demand in first-tier cities, second-tier cities and those stronger third-tier cities of key city cluster is greater. The market is more resilient and such demand may return to the market eventually. For provinces and cities where the Epidemic has caused greater impact, the demand in the real estate market will be restrained more significantly.

## II. Since 2019, enterprises have been cautious in land acquisition and there is a consensus to focus on first-tier and second-tier cities.

***1. Remained sensible in land acquisition. Enterprises with assets over RMB50 billion to RMB100 billion will enhance their scale of acquisition.***

In 2019, the average value of land acquired by 50 representative enterprises (with assets over RMB10 billion) increased slightly by 5.7% year-on-year to RMB41.59 billion. The ratio of acquisition to sale is 27.7%, representing a decrease by 3.7% year-on-year. Among such enterprises, those with assets over RMB50 billion to RMB100 billion are more passionate in land acquisition. The ratio of their acquisition to non-sales amount grew by 4.9% to 36.4%.

***2. The focus of land acquisition has shifted to first-tier and second-tier cities, while third-tier and fourth-tier cities account for a lower proportion.***

The additional area in first-tier and second-tier cities where the 50 representative enterprises (with assets over RMB10 billion) acquired interest increased by 0.2% and 6.1% year-on-year to 3.1% and 50.1%. In second-tier cities, the proportion has exceeded a half, and in third-tier and fourth-tier cities, the additional area of interest dropped by 6.3% to 46.8%.

## III. Short-term capital pressure increased as a result of the epidemic and the peak period of repayment in the industry in 2020.

***1. The scale of issuance of overseas bonds has achieved a significant year-on-year growth, and the scale of issuance of domestic company bonds has grown slightly. The scale of trust financing in the real estate industry remains the same basically.***

In 2019, overseas bonds issued by corporates with assets over RMB10 billion amounted to RMB454.49 billion, representing a year-on-year growth of 32.2%. The scale of issuance of domestic company bonds amounted to RMB217.4 billion, representing a year-on-year growth of 21.3%. The rate of growth dropped significantly. The total amount of medium-term notes issued amounted to RMB38.5 billion, representing a year-on-year decrease of 58.4%. In 2019, the total trust fund that were invested in the real estate industry amounted to RMB978.57 billion, representing a slight increase of 5.7%.

*2. The scale of repayable amount under real estate industrial bonds remains at a high level, so the cash flow of real estate enterprises is subject to challenges.*

Currently, the majority of the bonds has entered the phase of repayment. In 2020, the total repayment scale (including overseas bonds) will amount to RMB749.39 billion. In 2021, the scale will exceed RMB1,049.62 billion. In 2022, the repayment scale in the real estate industry will drop to RMB735.0 billion. To avoid insolvency risks, real estate enterprises should be prudent in managing their income and expenditure.

Prior to the outbreak of the Epidemic, the consolidated risk of real estate enterprises could be controlled in general. The impact that real estate enterprises will face after the outbreak of the Epidemic will become clear after several months. Therefore, short-term liquidity problems faced by bond-issuing enterprises should be a top concern. According to the latest financial data published by enterprises, among 32 enterprises whose bonds would expire soon, the net cash flow from operation of 15 enterprises were found to be negative. 11 enterprises of which had a balance of overdue bonds/monetary capital exceeding 20%, and one of which reached 70.34%. If such enterprises are situated at epicenters in third-tier or fourth-tier cities, they will face a big challenge of short-term liquidity.

**IV. The transaction volume of the industry is expected to decline but the price will remain stable in 2020. The total area of land supply will be stable with an increase. The policies with regard to finance and adjustments will be relaxed.**

*1. Estimates about volume and price:*

It is estimated that the sales area of new apartments across China will drop by about 10% in 2020, and the decline in the first quarter will be greater. In 2020, there is a lack of driving force for the price of new apartments to rise.

*2. Monetary policies:*

Affected by the Epidemic, it is estimated that generally there is room for further relaxing the overall monetary and financial policies in 2020.

*3. Finance policies:*

In the new environment, in the first half of 2020, the finance policies for the real estate industry will be relaxed as compared with the existing regulatory efforts.

4. ***Housing policies:***

In the new environment, in 2020, the adjustment policies with regard to housing will be relaxed as a whole as compared with the existing policies.

In 2020, there is still a number of greater uncertainties in the real estate industry. However, in the long run, there will be both opportunities and challenges in the real estate industry. In addition, the outbreak of the Epidemic in Wuhan of the PRC, as well as the gradually mounting cases of infection reported in countries worldwide created further threats and anxieties. Although the government of the PRC has continuously implemented various and large-scale contingency measures to mitigate the adverse impact of the Epidemic, it is expected that the business environment in the PRC will remain challenging in the near future.

The impact of the Epidemic on the estate agency market in China and the sales and operation of the Group remains uncertain. To save costs, all executive Directors and certain members of the management of the Group are willing to cut down the value of their remuneration package by 20%, with effect from 1 February 2020 for five months. Meanwhile, the Group will continue to tighten our measures on cost control, including but not limited to negotiating with landlords for rent reduction, seeking the most favourable terms from suppliers and enhancing our services. The management of the Company will closely monitor the market situation and adjust our strategies in a timely manner.

For foreign development, with the implementation of the Belt and Road Initiative, the Company has further expanded into the Southeast Asian market. As an important link on the Belt and Road Initiative, Cambodia has always attracted great attention.

The Group is commencing its agency and asset management service projects in Cambodia, with certain projects already having entered in the implementation phase, while more projects are still at the upfront stage. It is expected that after the scale up of more projects in the next two years, the projects of the Group in Cambodia will achieve profits.

In 2020, the Group will continue to focus on the comprehensive property consultancy and sales agency service as its main businesses and will remain cautious in relation to market volatility and changes. The Group will endeavor to continue its cooperation with property developers and new potential business partners targeting at commodity housing, and focus on the development opportunities in the PRC and Southeast Asia. The Group will also strive to secure more property consultancy and sales agency service projects.

The year 2020 will remain as a year for the Group to broaden sources of income and to minimise expenditures. The management of the Group will endeavour to incentivise their employees to proactively identify new projects and new developers to identify appropriate investment opportunities, and strive to cut operating expenses by means of strengthening budget management and cost control, so as to pursue a long-term development for the Company and its employees as a whole and satisfactory return to the shareholders of the Company.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group had net current assets of approximately RMB34,385,000 (2018: RMB49,098,000), total assets of approximately RMB48,179,000 (2018: RMB71,168,000) and equity attributable to owners of the Company of approximately RMB37,478,000 (2018: RMB49,726,000).

As at 31 December 2019, the bank deposits and bank and cash balances of the Group amounted to approximately RMB28,439,000 (2018: RMB49,095,000).

## BANK BORROWINGS AND OVERDRAFTS

The Group had no bank borrowings or overdrafts as at 31 December 2019 (2018: Nil).

## INDEBTEDNESS AND CHARGE ON ASSETS

The Group did not have any short term borrowing (2018: Nil) nor long term borrowing (2018: Nil) as at 31 December 2019.

As at 31 December 2019, the Group did not have any borrowings. The gearing ratio of the Group (calculated on the basis of total bank and other borrowings over total equity) was 0% (2018: 0%).

## FOREIGN EXCHANGE RISKS

As the Group's sales are denominated in Renminbi, the Group's purchases and expenses are either denominated in Renminbi, United States dollar or Hong Kong dollar, and there is no significant foreign currency borrowings, the Group's currency fluctuation risk is considered insignificant. The Group currently does not have a foreign currency hedging policy. However, the management continuously monitors the foreign exchange risk exposure and will consider to hedge significant currency risk exposure should the need arise.

## USE OF PROCEEDS FROM THE COMPANY'S RIGHTS ISSUE

On 1 September 2015, the Company proposed to raise fund of not less than approximately HK$34.5 million but not more than approximately HK$35.1 million, before expenses, by way of a rights issue of not less than 40,596,000 rights shares but not more than 41,196,000 rights shares to the qualifying shareholders on the basis of one (1) rights share for every five existing shares of the Company held on the record date (the "**Rights Issue**") at the Subscription Price of HK$0.85 per rights share.

The Rights Issue was completed in November 2015. The actual net proceeds of the Rights Issue were approximately HK$33.3 million. The Group intends to apply the net proceeds from the Rights Issue as follows: (1) as to approximately 31% for the use of the comprehensive property consultancy and sales agency business; (2) as to approximately 46% for the potential establishment of an apartment rental platform in the PRC; (3) as to approximately 23% for general working capital and/or future investment opportunities should suitable opportunities become available. Please refer to the Company's announcements dated 1 September 2015 and 16 November 2015, and the Company's prospectus dated 26 October 2015 (the "Prospectus") for further details.

Other than approximately 28.6% (equivalent to approximately HK$9.5 million) of the total net proceeds from the Rights Issue which was designated to be used for the potential establishment of an apartment rental platform in the PRC remained unutilised as at 31 December 2019, net proceeds in the amount of approximately HK$23.8 million from the Rights Issue have been utilised in accordance with the intended use stated in the Prospectus. As disclosed in the Prospectus, 46% of the total net proceeds was designated for the potential establishment of an apartment rental platform, of which approximately 17%, 26% and 3% (equivalent to approximately HK$5.7 million, HK$8.6 million and HK$1.0 million, respectively) would be applied to the payment of (1) the leasing and property management expenses of the apartments; (2) the purchase costs of the furniture and fixtures; and (3) other miscellaneous costs, respectively, thereof.

The following table sets out the detailed breakdown and description of the use of the net proceeds of the Rights Issue during the year ended 31 December 2019:

| Net proceeds raised | Intended use of the net proceeds as previously disclosed in the Prospectus | Actual use of net proceeds during the period under review | Intended use and expected timeline of the remaining amount of net proceeds as at 31 December 2019 |
|---|---|---|---|
| HK$15,324,900 (approximately 46% of the net proceeds) for the potential establishment of an apartment rental platform in the PRC | (a) Approximately HK$5.7 million (17% of the total net proceeds) for the leasing and property management expenses of the apartments (Note 1);<br><br>(b) Approximately HK$8.6 million (26% of the total net proceeds) for the purchase costs of the furniture and fixtures (Note 2); and<br><br>(c) Approximately HK$1.0 million (3% of the total net proceeds) for other miscellaneous costs (Note 3). | Approximately HK$1.4 million (4.3% of the total net proceeds) for the leasing and property management expenses of the apartments. | (a) Approximately HK$0.9 million was intended to be used for the leasing and property management expenses of the apartments by the end of 2021; and<br><br>(b) Approximately HK$3.5 million (10% of the total net proceeds) was intended to be used for the purchase costs of the furniture and fixtures for two residential properties sub-leasing projects in Ningbo and Jiangsu, the PRC by the end of 2021; and the remaining balance of the unutilised net proceeds in the amount of HK$5.1 million (16% of the total net proceeds) is expected to be fully utilised by or around 2025 (Note 4). |

Notes:

1. As at 31 December 2018, approximately HK$3.4 million (10.2% of the total net proceeds) had been applied to the payment of leasing and property management expenses of apartments.

2. As at 31 December 2019, the entire portion intended to be applied to the payment of purchase costs of the furniture and fixtures for the establishment of an apartment rental platform had remained unutilised.

3. As at 31 December 2016, the entire portion intended to be applied to the payment of other miscellaneous costs for the potential establishment of an apartment rental platform had been fully utilised.

4. The expected timeline for the utilisation of the remaining balance of the net proceeds from the Rights Issue was arrived at by the Directors based on their best information, knowledge and belief. Such expected timeline is subject to changes in the market conditions, policies and the arising of appropriate opportunities in the market to establish the apartment rental platform in the PRC.

As at 31 December 2019, the entire portion designated to be applied to the payment of purchase costs of the furniture and fixtures for the establishment of an apartment rental platform had remained unutilised; and approximately 15.8% (equivalent to approximately HK$0.9 million) of the net proceeds from the Rights Issue which was intended to be used in the payment of leasing and property management expense of the apartments remained unutilised. The reason for the delay in use of proceeds was principally due to the unstable market conditions since 2016, and that the PRC government has also started to implement restrictions against sub-leasing of residential properties in some cities in the PRC. In light of the unstable market conditions and uncertainty as to whether and how such restrictions will be extended to other cities in the PRC, the Group has since then been cautious in implementing the establishment of such apartment rental platform and has yet to enter into any residential property sub-leasing projects. The Board currently has no intention to change the use of the unutilised net proceeds from the Rights Issue. Instead, the Company is monitoring the market environment and has been waiting for the appropriate timing to implement the plan to establish the apartment rental platform. The Group is in negotiation with property developers in cities such as Nantong, Jiangsu Province and Ningbo, Zhejiang Province for the provision of residential sub-leasing services to two potential residential properties. It is expected that the unutilised net proceeds from the Rights Issue will be fully utilised by the end of 2025, subject to changes in the market conditions, policies and the arising of appropriate opportunities in the market to establish the apartment rental platform in the PRC. The Board will perform strategic review of the Group's business development plan from time to time. Should the Board consider it necessary to revise the Group's business plan so as to capture other market opportunities to diversity its income stream, with a change in the intended use of any portion of the unutilised net proceeds from the Right Issues as previously disclosed, the Company will issue an announcement setting out the details to inform its shareholders and potential investors promptly.

## INTEREST RATE RISKS

The Group's exposure to interest rate risk mainly stemmed from fluctuations of interest rates for the Group's bank balances, as the Group had no bank borrowings as at 31 December 2019 (2018: Nil).

## STAFF AND THE GROUP'S EMOLUMENT POLICY

As at 31 December 2019, the Group had a total of 120 staff (2018: 116 staff).

The emolument policies of the Group are formulated based on the Group's operating results, employees' individual performance, working experience, respective responsibility, merit, qualifications and competence, as well as comparable market statistics and state policies. The emolument policies of the Group are reviewed by the management of the Group regularly.

## MAJOR INVESTMENTS

For the year ended 31 December 2019, save for the investment properties held by the Group as set out in the section headed "Summary of Major Properties" of the annual report, no other significant investment was held by the Group. As at the date of this announcement, save for the investment properties held by the Group, the Group had no future plans for material investments or capital assets.

## CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2019 (2018: Nil).

## CAPITAL COMMITMENTS

The Group had no material capital commitments as at 31 December 2019 (2018: Nil)

## PURCHASE, SALES AND REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the year ended 31 December 2019.

## CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance to its healthy growth, and is committed to adopting appropriate corporate governance practices that meet its business needs.

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules. Save for the deviation from code provision A.2.1 of the CG Code as disclosed below, the Directors consider that the Company has complied with the code provisions set out in the CG Code during the year ended 31 December 2019.

Pursuant to code provision A.2.1 of the CG Code, the responsibilities between the chairman and chief executive should be separate and should not be performed by the same individual. For the year under review, the Company did not have a separate chairman and chief executive, with Mr. Chiang Chen Feng performing these two roles. The Board believes that vesting both the roles of chairman and chief executive in the same person has the benefit of ensuring consistent leadership within the Group, and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and such structure will enable the Company to make and implement decisions promptly and efficiently.

Under code provision A.6.7 of the CG Code, the independent non-executive Directors and non-executive Director should attend general meeting of the Company. Mr. Lam Chun Choi, an independent non-executive Director, was absent from the annual general meeting of the Company held on 21 June 2019 due to his other business commitments.

Looking forward, we will continue to conduct reviews on our corporate governance practices from time to time to ensure compliance with the CG Code.

## MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standards set out in the Model Code and the Company's code of conduct during the year ended 31 December 2019.

## IMPORTANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

As a result of the outbreak of the Epidemic across the PRC in the beginning of 2020, a number of provinces and municipalities in the PRC have taken emergency public health measures and various actions, including travel and transportation restrictions in various cities in the PRC, to prevent the spread of the Epidemic. Such measures have led to extensive disruption to the normal operation of some of the businesses in the PRC, as a result of, among of others, a shortage of workforce. While the impact of the coronavirus outbreak is gradually becoming under control in the PRC as at the date of this announcement, the World Health Organisation declared the outbreak of COVID-19 a pandemic on 12 March 2020 following its spread across the world. If the outbreak remains protracted, the world's economy may be adversely affected and the Group's operating environment will become increasingly challenging. As announced by the Company on 28 February 2020, all of the executive Directors and some of the senior management of the Group have voluntarily agreed to a 20% reduction to their salary package for a period of 5 months will effect from 1 February 2020 to reduce cost. The Board will continue to assess the impact of the outbreak of the Epidemic on the Group's operation and financial performance, and continue to strengthen the Group's cost control measures.

Save as disclosed, the Directors are not aware of any important events affecting the Group that have occurred since the end of the year ended 31 December 2019 and up to the date of this announcement.

## REVIEW BY AUDIT COMMITTEE

Pursuant to the requirements of the CG Code and Rule 3.21 of the Listing Rules, the Company has established an audit committee (the "**Audit Committee**") of the Board with written terms of reference and comprising all three independent non-executive Directors.

The Audit Committee was set up for the purposes of reviewing and supervising the financial reporting process and internal control procedures of the Group and regulating the financial reporting procedures, internal controls and risk management system of the Group. It is responsible for making recommendations to the Board for the appointment, reappointment or removal of the external auditor; reviewing and monitoring the external auditor's independence and objectivity, as well as reviewing and monitoring the effectiveness of the audit process to make sure that the same is in full compliance with applicable standards.

During the year ended 31 December 2019, the Audit Committee met with the external auditor to review and approve the audit plans and also reviewed the Group's annual results of 2018 and interim results of 2019 and the audit findings with the attendance of the external auditor and executive Directors. The Audit Committee had reviewed the accounting policies, accounting standards and practices adopted by the Group and the consolidated financial statements and results of the Group for the year ended 31 December 2019. The Audit Committee convened three meetings during the year ended 31 December 2019.

## SCOPE OF WORK OF CONFUCIUS INTERNATIONAL CPA LIMITED

The figures in respect of this announcement of the Group's results for the year ended 31 December 2019 have been agreed by the Group's independent auditor, Confucius International CPA Limited, to the amounts set out in the Group's audited consolidated financial statements and the related notes thereto for the year ended 31 December 2019. The work performed by Confucius International CPA Limited in this respect did not constitute an assurance engagement in accordance with the Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the HKICPA and consequently, no assurance has been expressed by Confucius International CPA Limited on this preliminary announcement.

## PUBLICATION OF THE RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website (www.fortune-sun.com) and the Stock Exchange's website (www.hkexnews.hk). The 2019 Annual Report will be dispatched to the shareholders of the Company and will be made available on the website of the Company and the Stock Exchange in due course.

## 2020 ANNUAL GENERAL MEETING

It is proposed that the 2020 Annual General Meeting (the "**2020 AGM**") will be held on Friday, 12 June 2020. A notice convening the 2020 AGM will be published on the Company's website (www.fortune-sun.com) and the Stock Exchange's website (www.hkexnews.hk) and will be dispatched to the shareholders of the Company accordingly.

## CLOSURE OF REGISTER OF MEMBERS

To ascertain Shareholders' entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on 12 June 2020, the register of members of the Company will be closed from Tuesday, 9 June 2020 to Friday, 12 June 2020 (both days inclusive) during which period no transfer of shares will be registered.

In order to qualify for attending and voting at the 2020 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, being the Company's branch share registrar and transfer office in Hong Kong, for registration no later than 4:30 p.m. on Monday, 8 June 2020.

By order of the Board
**Fortune Sun (China) Holdings Limited**
**Chiang Chen Feng**
*Chairman*

Hong Kong, 31 March 2020

*As at the date of this announcement, the executive Directors are Mr. Chiang Chen Feng, Ms. Chang Hsiu Hua and Mr. Han Lin; the non-executive Director is Ms. Lin Chien Ju; and the independent non-executive Directors are Mr. Cui Shi Wei, Mr. Lam Chun Choi and Mr. Chow Yiu Ming.*