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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)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus of Fortune Sun (China) Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) dated 26 October 2015 (the “**Prospectus**”) and the announcement of the Company dated 16 November 2015 in relation to the rights issue of 40,596,000 rights shares to the qualifying shareholders on the basis of one rights share for every five existing shares of the Company held on the record date at the subscription price of HK\$0.85 per rights share (the “**Rights Issue**”).

The net proceeds (“**Net Proceeds**”) from the Rights Issue was approximately HK\$33.3 million, and these Net Proceeds were originally planned to be used by the Group for the following purposes: (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 People’s Republic of China (the “**PRC**”); (3) as to approximately 23% for general working capital and/or future investment opportunities should suitable opportunities become available.

Up to the date of this announcement, approximately HK\$8.6 million of these Net Proceeds, which was originally designated for use by the Group for the purchase of furniture and fixtures for the potential development of an apartment rental platform in the PRC and represented approximately 25.8% of the total Net Proceeds, remained unutilised (the “**Unutilised Proceeds**”). Given the reasons as set out in the paragraph headed “Reasons for the Change in Use of Proceeds” in this announcement, the Board has resolved to re-designate the use of the Unutilised Proceeds as follows:

Use of Unutilised Proceeds after re-designation	Amount of the Unutilised Proceeds allocated (HK\$' million, approximately)
Repayment of existing interest-bearing loan advanced to the Group by a company wholly-owned by Ms. Chang Hsiu Hua, an executive director of the Company	6.0
Renovation of an investment property of the Group for future rental purpose	0.8
Payment of agency fee for the rental of investment property held by the Group	0.2
Payment of other operating expenses in relation to the rental of investment property held by the Group	1.0
General replenishment of working capital and other general corporate purpose	0.6
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Reasons for the Change in Use of Proceeds

As disclosed in the Company’s interim report for the six months ended 30 June 2020, the delay in use of proceeds for the purchase of the furniture and fixtures for the establishment of an apartment rental platform 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 these 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 Group has been monitoring the market conditions and making assessment from time to time on the right timing to establish an apartment rental platform. Based on the recent observation of the management of the Group, an increasing number of residential property rental platforms has closed down in recent years due to the lack of capital, as these rental platforms would generally require substantial initial capital investment in respect of renovation, furniture purchase and maintenance of the apartments so leased by these rental

platform operators on one hand, while it generally takes relatively longer time for these operators to recoup their investment by sub-leasing these apartments through the rental platforms on the other hand. The closing down of these rental platforms in the PRC had resulted in the disruption to the continual use by the sub-tenants of their residential home and, in some cases, the non-recovery of the rental deposit paid thereby. It is expected that the government will tighten its regulations and monitoring over the apartment rental platform businesses in the near future. Taken into account the possible tightening of the regulatory requirements relating to the establishment and operation of residential rental platform which may result in the increase in the capital investment and/or operational cost of the business, the management of the Group considers that it may not be cost-efficient for the Group to invest the Unutilised Proceeds in such business in the foreseeable future.

To use the Unutilised Proceeds efficiently to bring positive return to the Company and its shareholders as a whole, the Directors has resolved to allocate approximately HK\$6.0 million, representing approximately 69.8% of the Unutilised Proceeds, to the repayment of an existing interest-bearing loan advanced to the Group by a company wholly-owned by Ms. Chang Hsiu Hua, an executive director of the Company. This will allow the Group to lower its gearing ratio, reduce its interest expenses and financing costs and to achieve greater flexibility on the allocation of the Group's internal resources for the daily operation of the Group. An aggregate of HK\$2.0 million, representing approximately 23.2% of the Unutilised Proceeds, will be allocated to the renovation, payment of agency fee and other operating expenses for the rental of an investment property acquired by the Group pursuant to a court order as mentioned in the Company's announcements dated 25 November 2020 and 1 December 2020. It is intended that the Group will lease out the investment property for commercial use after renovation in return for a stable lease income. Up to the date of this announcement, no prospective tenant has been identified.

The Board is of the view that the re-allocation of the Unutilised Proceeds as set out in this announcement will be more favourable to the Group's long-term business development as well as a more efficient utilisation of the Unutilised Proceeds. The Board confirms that there is no material change in the business nature of the Group, and considers that the proposed change in the use of the Net Proceeds will not have any material adverse impact on the operations of the Group and is in the best interests of the Company and its shareholders as a whole.

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

Hong Kong, 8 March 2021

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 and Mr. Lam Chun Choi and Mr. Chow Yiu Ming.