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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)

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 (the “**Year**”) together with the comparative figures for 2019 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
<b>Revenue</b>	4	<b>26,805</b>	14,371
Cost of sales		<b>(16,058)</b>	(14,540)
<b>Gross profit/(loss)</b>		<b>10,747</b>	(169)
Investment income and other gains and losses, net	5	<b>1,642</b>	1,503
Operating and administrative expenses		<b>(12,320)</b>	(18,004)
Finance cost	6	<b>(11)</b>	(33)
<b>Profit/(loss) before tax</b>		<b>58</b>	(16,703)
Income tax expense	8	–	–
<b>Profit/(loss) for the year</b>	9	<b>58</b>	(16,703)
<b>Profit/(loss) for the year attributable to:</b>			
Owners of the Company		<b>58</b>	(12,432)
Non-controlling interests		–	(4,271)
		<b>58</b>	(16,703)
		<i>RMB cents</i>	<i>RMB cents</i>
<b>Earnings/(loss) per share</b>	11		
— Basic		<b>0.02</b>	(5.05)
— Diluted		<b>0.02</b>	(5.05)

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

*For the year ended 31 December 2020*

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Profit/(loss) for the year</b>	<u>58</u>	<u>(16,703)</u>
<b>Other comprehensive (expense)/income:</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>(216)</u>	<u>125</u>
<b>Other comprehensive (expense)/income for the year, net of tax</b>	<u>(216)</u>	<u>125</u>
Total comprehensive expense for the year	<u><u>(158)</u></u>	<u><u>(16,578)</u></u>
<b>Total comprehensive expense attributable to:</b>		
Owners of the Company	(158)	(12,307)
Non-controlling interests	<u>-</u>	<u>(4,271)</u>
	<u><u>(158)</u></u>	<u><u>(16,578)</u></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Notes</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,043</b>	1,247
Right-of-use assets		<b>86</b>	555
Investment properties	<i>12</i>	<b>12,681</b>	3,146
Golf club membership		<b>291</b>	291
		<hr/> <b>14,101</b> <hr/>	<hr/> 5,239 <hr/>
<b>Current assets</b>			
Trade receivables	<i>13</i>	<b>15,217</b>	11,443
Trade deposits	<i>14</i>	<b>300</b>	500
Prepayments and other deposits		<b>1,467</b>	1,449
Other receivables		<b>697</b>	1,109
Fixed bank deposits		<b>9,787</b>	17,911
Bank and cash balances		<b>6,509</b>	10,528
		<hr/> <b>33,977</b> <hr/>	<hr/> 42,940 <hr/>
<b>Current liabilities</b>			
Accruals and other payables		<b>5,668</b>	8,080
Lease liabilities		<b>90</b>	475
		<hr/> <b>5,758</b> <hr/>	<hr/> 8,555 <hr/>
<b>Net current assets</b>		<hr/> <b>28,219</b> <hr/>	<hr/> 34,385 <hr/>
<b>Total assets less current liabilities</b>		<hr/> <b>42,320</b> <hr/>	<hr/> 39,624 <hr/>
<b>Non-current liabilities</b>			
Lease liabilities		–	90
Loan from a related company	<i>15</i>	<b>5,000</b>	–
		<hr/> <b>5,000</b> <hr/>	<hr/> 90 <hr/>
<b>Net assets</b>		<hr/> <b>37,320</b> <hr/>	<hr/> 39,534 <hr/>
<b>Capital and reserves</b>			
Share capital		<b>24,394</b>	24,394
Reserves		<b>12,926</b>	13,084
		<hr/> <b>37,320</b> <hr/>	<hr/> 37,478 <hr/>
Equity attributable to owners of the Company		<b>37,320</b>	37,478
Non-controlling interests		–	2,056
		<hr/> <b>37,320</b> <hr/>	<hr/> 2,056 <hr/>
<b>Total capital and equity</b>		<hr/> <b>37,320</b> <hr/>	<hr/> 39,534 <hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 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 2nd Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman KY1-1103, Cayman Islands. The address of its principal place of business in Hong Kong is 16th Floor, Tower 5, 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 disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued 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 accounting periods reflected in these consolidated financial statements.

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

The HKICPA has issued the Amendments to References to the Conceptual Framework in HKFRS Standards or amended HKFRSs that are first effective for the current accounting period of the Group:

#### (a) Adoption of amendments to HKFRSs — effective on 1 January 2020

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the 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 and the related Amendments <sup>1</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions <sup>4</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

#### 4. REVENUE

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Comprehensive property consultancy and sales agency service projects, recognised at a point in time		
Primary geographical markets:		
China	22,440	10,274
Cambodia	334	2,543
Pure property planning and consultancy service projects, recognised over time		
Primary geographical markets:		
China	4,031	1,554
	<u>26,805</u>	<u>14,371</u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest income on bank deposits	193	378
Interest income on trade receivables	–	94
Gain on disposals and write off of property, plant and equipment	–	41
Net exchange (loss)/gain	(710)	366
Rental income	102	80
Reversal of allowance for trade receivables, net	327	466
Reversal of allowance/(provision) for other receivables, net	128	(30)
Recovery of late payment and interest	1,461	–
Government grants ( <i>Note</i> )	96	–
Sundry income	45	108
	<u>1,642</u>	<u>1,503</u>

*Note:* During the current year, the Group recognised governments grants of RMB96,000 (equivalent to HK\$108,000) related to Employment Support Scheme provided by the Hong Kong Government.

## 6. FINANCE COST

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on lease liabilities	<u>11</u>	<u>33</u>

## 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 another 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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Customer A	11,044	2,116
Customer B	4,450	N/A <sup>(i)</sup>
Customer C	N/A <sup>(i)</sup>	4,230
Customer D	N/A <sup>(i)</sup>	2,472
Customer E	<u>N/A<sup>(i)</sup></u>	<u>1,447</u>

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

## 8. INCOME TAX EXPENSE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Deferred tax and income tax expense	<u>-</u>	<u>-</u>

No provision for Hong Kong Profits Tax is required since the Company had no assessable profit for both years. The applicable tax rate in Hong Kong is 16.5% (2019: 16.5%). Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime for both current and previous years. Under the two-tier profits tax rates regime, the first HK\$2 million of profits of qualifying corporation are taxed at 8.25%, and profits above HK\$2 million are taxed at 16.5%. The profits of corporation not qualifying for the two-tier profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No PRC Enterprise Income Tax has been made in the current year as the relevant group entities had no assessable profit for both years. The applicable PRC Enterprise Income Tax is 25% (2019: 25%).

No provision for Tax on Profit is required for the subsidiary in Cambodia as the subsidiary incurred a loss for both years. The applicable tax rate in Cambodia is 20% (2019: 20%).

## 9. PROFIT/(LOSS) FOR THE YEAR

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Auditor's remuneration	400	450
Depreciation of property, plant and equipment	247	259
Depreciation of investment properties	120	94
Depreciation of right-of-use assets	467	765
Gain on disposals and write off of property, plant and equipment	–	(41)
Net exchange loss/(gain)	710	(366)
Gross rental income from investment properties less direct outgoings of RMBNil (2019: RMB Nil)	(102)	(80)
(Reversal of allowance)/provision of allowance for, net		
– Trade receivables (*)	(327)	(466)
– Other receivables (*)	(128)	30
	<u>          </u>	<u>          </u>

\* During the year, the Group has acquired a property from the vendor, a former customer of the Group (“Vendor”), and the related consideration is entitled to be partially set-off by the outstanding balance of trade and other receivables owing by the Vendor as adjudicated by the Court. As a result, allowances made in prior year against trade and other receivables were reversed.

## 10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

## 11. EARNINGS/(LOSS) PER SHARE

### (a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately RMB58,000 (2019: loss of RMB12,432,000) and the numbers of ordinary shares of 246,183,390 (2019: 246,183,390) in issue during the year.

### (b) Diluted earnings/(loss) per share

The computation of diluted earnings/(loss) per share does not assume the exercise of the Company's outstanding share options since their exercise would result in an increase in earnings per share or a decrease in loss per share. Therefore, diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share for the years ended 31 December 2020 and 2019.



## 12. INVESTMENT PROPERTIES

During the year ended 31 December 2020, the Group acquired an investment property at cost of approximately RMB9,655,000 pursuant to a court order as mentioned in the Company's announcement dated 25 November 2020 and 1 December 2020.

## 13. TRADE RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	15,677	12,230
Less: Allowance for credit loss	<u>(460)</u>	<u>(787)</u>
	<u><b>15,217</b></u>	<u><b>11,443</b></u>

The average credit period granted to customers is 90 days. The Group seeks to maintain strict control over its outstanding receivables. Allowance for credit loss is made after the management 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 for credit loss is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0 to 90 days	9,602	4,099
91 to 180 days	2,048	3,482
181 to 365 days	2,710	1,277
1 to 2 years	662	277
Over 2 years	<u>195</u>	<u>2,308</u>
	<u><b>15,217</b></u>	<u><b>11,443</b></u>

Reconciliation of allowance for credit loss:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At 1 January	787	1,253
Provision for allowance for the year	324	134
Reversal of allowance for the year	<u>(651)</u>	<u>(600)</u>
At 31 December	<u><b>460</b></u>	<u><b>787</b></u>

At the end of the reporting period, the Group reviewed receivables for evidence of impairment on both individual and collective basis. Allowance for credit loss recognised for 2020 and 2019 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.

All the Group's trade receivables are denominated in RMB.

As of 31 December 2020, trade receivables of approximately RMB5,615,000 (2019: RMB7,344,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Up to 3 months	<b>2,048</b>	3,482
4 to 9 months	<b>2,710</b>	1,277
10 to 21 months	<b>662</b>	277
More than 21 months	<b>195</b>	2,308
	<b>5,615</b>	7,344

Trade receivables that were past due but not impaired related to a number of 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.

#### **14. TRADE DEPOSITS**

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade deposits	<b>300</b>	500

Trade deposits represent the amounts paid for comprehensive property consultancy and sales agency service contracts. These trade deposits are refundable when the prescribed terms in the underlying agency contracts are achieved.

#### **15. LOAN FROM A RELATED COMPANY**

The loan is unsecured and will mature in November 2025. It bears interest ranging from 4.75% to prevailing lending rate stipulated by People's Bank of China per annum.

## BUSINESS REVIEW

During the Year, the COVID-19 pandemic (the “**Pandemic**”) has spread globally, and the development of the world economy has been hindered. The Pandemic has caused interruption to the production and financial development, which has brought considerable impact to the real estate industry in the PRC during the first half of the Year. In the context of the overall setback in the economic situation, prices and trading volume in the residential property market have dropped in the short term. In particular, the year-on-year decline in the transaction volume of both first-hand and second-hand properties reached the largest level in recent years. Under the leadership of the PRC Government, all parts of China have successively initiated first-level responses to major public health emergencies, closing cities, closing communities, and implementing multiple rounds of mandatory national virus testing. With the dual blessing of the nationwide system and scientific and technological means, the Pandemic was brought under control in mainland China in the first half of the Year.

Since the outbreak of the Pandemic has become under control, from the national data and key monitored cities, real estate investments and transaction volume are picking up rapidly. The market in the representative cities of the Yangtze River Delta has recovered quickly, and the current year-on-year growth rate of transaction volume is significantly higher than other cities in the PRC.

In terms of policies, the Chinese central government has repeatedly emphasized the need to increase the efforts of counter-cyclical adjustments and maintain reasonable and sufficient liquidity. Local governments have the flexibility to implement policies depending on their economic conditions, and multiple regions have introduced real estate support policies from both ends of supply and demand. The overall regulation and control policies on the demand side are being relaxed, by way of reducing the conditions for permanent residence registration, lowering the threshold to introduce talents, and increasing housing subsidies.

Also, the small and medium sized property developers, including the clients of the Group, that have held up the releasing of their real estate projects in order to avoid competition with the large-scale property developers has eventually released their projects to the markets when the market conditions improve. Combined with the effect of the lifting of housing restrictions mentioned above, the demands for first-hand residential properties have been stimulated.

In respect of land, multiple regions have introduced supply-side support policies such as postponed or instalment payment of land transfer fees, relaxation of pre-sale conditions, and postponement of completion time. At the same time, the People’s Bank of China continues to use active monetary policies such as reserve requirement ratio cuts and interest rate cuts to maintain reasonable and sufficient liquidity.

In terms of overseas business development, the Pandemic outbreak in Cambodia has serious impact on the local economy, coupled with the fact that many foreigners and local residents have not returned to Cambodia for work to stay away from the Pandemic outbreak, and export orders have dropped significantly, which had a severe impact on the local real estate market in Cambodia during the Year.

During the Year, the Group recorded revenue of approximately RMB26.8 million (2019: RMB14.4 million), representing a substantial increase by approximately 86.4% as compared to the revenue recorded for the preceding year. Such substantial increase was mainly due to the increase in revenue generated from the comprehensive property consultancy and sales agency business of the Group by approximately 77.7% during the Year as compared with the preceding year for reasons further explained in the paragraph headed “Comprehensive property consultancy and sales agency business” below. Revenue from the pure property planning and consultancy business segment of the Group also increased significantly during the Year by approximately RMB2.5 million as compared with the preceding year for reason further explained in the paragraph headed “Pure property planning and consultancy business” below.

The Group recorded gross profit of approximately RMB10.7 million for the Year as compared with the gross loss of approximately RMB0.2 million in the preceding year. The turnaround from gross loss to gross profit position of the Group despite the cost of sales of the Group for the Year has increased by approximately 10.4% as compared with the preceding year was mainly because the increase in revenue by approximately 86.4% was significantly greater than the increase in cost of sales. The Group was able to keep the cost of sales for the Year relatively low as the cost of services such as marketing expenses has been reduced. The overall operating and administrative expenses also decreased by approximately 31.6% as compared to last year mainly due to the implementation of stringent cost control policies and the significant reduction in the number of business trips during the Year. The Group has also recorded a one-off gain during the Year as a result of the positive court judgement against a former customer of the Group as mentioned in the Company’s announcements dated 25 November 2020 and 1 December 2020. Thus, the profit for the Year attributable to owners of the Company was amounted to approximately RMB58,000, which represents a significant improvement from the loss of approximately RMB12.4 million recorded for the preceding year.

Regarding the Group's operations during the Year geographically, most of the Group's recorded revenue was generated from projects in Jiangsu Province, followed by Hubei Province and Shanghai, which represented approximately 59.4%, 29.8% and 8.6% of the Group's total revenue, respectively. On a comparative basis, in 2019, the Group's recorded revenue was mainly generated from projects in Jiangsu Province, followed by Hubei Province and Phnom Penh in Cambodia. Regarding business and products segments, during the Year, 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 85.0% of the total revenue (2019: approximately 89.2%), while the revenue generated from the pure property planning and consultancy accounted for approximately 15.0% of the total revenue (2019: approximately 10.8%).

## **COMPREHENSIVE PROPERTY CONSULTANCY AND SALES AGENCY BUSINESS**

During the Year, 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 2020, most of the revenue of the Group was generated from 17 comprehensive property consultancy and sales agency service projects (2019: 12 projects) with approximately 147,155 square meters (2019: approximately 90,236 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 was approximately RMB22,774,000, representing approximately 85.0% of the total revenue of the Group (2019: approximately RMB12,817,000, representing approximately 89.2% of the total revenue).

The substantial increase in revenue generated by the Group from the comprehensive property consultancy and sales agency business by approximately 77.7% during the Year as compared with the preceding year was mainly due to the following factors:

- (1) The market data collated by the Group for the three cities in which the Group has major operation, namely Yancheng and Nantong in Jiangsu Province and Yichang in Hubei Province, showed that the transaction volume in terms of gross floor area in the residential properties market has increased in the second quarter of 2020 after the sharp decline in the first quarter of 2020 following the outbreak of Pandemic to a level that has exceeded the transaction volume in terms of gross floor area in the fourth quarter of 2019.

- (2) In aiding some of the second and third tier cities in the PRC in their economic recovery scheme, apart from implementing quantitative easing policies, local governments in such cities have eased housing policies and lifted restrictions on people owning more than one residential property. The easing of policies and restrictions in the property market have the effect of stimulating property developers to develop more real estate projects. The easing of restrictions have had positive impact on the property market in the second and third tier cities in the PRC.
- (3) In some cities where the Group have major operation, the demand for first-hand residential properties was greatly in excess of supply. The excess in demand for residential properties in these cities was sufficient to support the releasing of more residential properties to market upon the lifting of certain housing policies and restrictions, and during the Year, property developers have released more real estate projects to the market.

As at 31 December 2020, the Group had 12 comprehensive property consultancy and sales agency service projects on hand with total unsold gross floor areas of approximately 691,000 square meters (2019: approximately 784,000 square meters). Sales of the underlying properties for all those 12 projects on hand have commenced as at 31 December 2020.

The outbreak of the Pandemic has created great uncertainties for the real estate market in the Cambodia, as with the other Southeast Asia countries. The Group's performance in Cambodia during the Year has been significantly affected by the Pandemic, where the revenue recorded from the provision comprehensive property consultancy and sales agency services in Cambodia for the Year was approximately RMB334,000 (2019: RMB2,543,000), representing a decrease by approximately 86.9% as compared with the preceding year. This was mainly due to demand for residential property in Cambodia has reduced substantially during the Year, as many of the foreigners and local residents have not returned to Cambodia for work to stay away from the Pandemic outbreak, and the decrease in export orders have caused reduction in foreign investment and the closing down of foreign companies in Cambodia. The Group is evaluating its business plan in Cambodia from time to time as the impact of the Pandemic evolves in Cambodia.

## **PURE PROPERTY PLANNING AND CONSULTANCY BUSINESS**

During the Year, the Group has provided services for a total of 12 pure property planning and consultancy service projects (2019: 5 projects). The revenue generated from this business segment for the Year increased by approximately 159.4% to approximately RMB4,031,000, representing 15.0% of the total revenue for the year of 2020 (2019: approximately RMB1,554,000, representing 10.8% of the total revenue).

The increase in revenue from the Group's pure property planning and consultancy business was mainly due to the increase in demands for market consultancy services from the property developers in the PRC. In light of the Pandemic, the small and medium property developers are uncertain as to the environment of the property markets, and the Group was engaged to provide the services of market research and sales and promotion plans to these property developers.

## **PROSPECTS AND OUTLOOKS**

The Pandemic continues to spread and affected some regions in the PRC. There are still uncertainties on the Pandemic development and economic trend in the PRC in 2021, which will in turn limit the rebound of the property market.

The 2020 Central Economic Work Conference has set the tone for the property market in 2021, emphasizing on "houses are for living, not for speculating", taking differentiated control based on local conditions and various measures to promote the stable and healthy development of the real estate market. In the future, "housing to live and not speculating" will still be the main tone, and the policy in 2021 is expected to maintain continuity and stability. Under the guidance of the basic tone of "housing to live and not speculating", local governments will be more flexible in implementing policies based on different cities and differentiated control trends for different regions and different types of people will be more prominent. It will guarantee the purchase from end user buyers in many aspects, curb investment speculation, and promote the stable and healthy development of the market.

Looking forward to 2021, the nationwide new commercial residential market will show a steady trend of "same level of transaction and small increase in average price". It is expected that the sales area of commercial residential buildings will change by  $\pm 3\%$ , and the average sales price will increase by 5% to 8%. The trend of population migration to major cities is irreversible. The demand for commercial residential housing in the Pearl River Delta, the Yangtze River Delta and the Beijing-Tianjin-Hebei region is still enormous. The average price of core urban agglomerations and high-tiers cities in the south will continue to rise steadily, and the property market in third-tier and fourth-tier cities will cool down and the trend is far from over.

The main business location of the Group is the Yangtze River Delta region, which has a regional layout with flexible combat space. The Group focuses on staff training and is proficient in research and development. Relying on the modern information technology of the Group, the value services of the entire real estate industry chain could be enhanced. In addition, we will integrate industry big data with reference value for real estate decision-making, and use big data analysis and artificial intelligence to optimize the real estate decision-making analysis system. By making use of the big data, the Group effectively integrate its resources for the most efficient use, and provide quality services through teamwork.

The Group is one of the listed companies engaged in property agency in China. Under the adverse market environment, the Group seeks to foster its business relationship with the branded real estate enterprises and state-owned enterprises so as to maintain the stability of the Group's operations. "Promoting sales and increasing returns" would remain the Group's top priority. In order to alleviate their own sales pressure, most of the real estate companies are making alliances and strategically cooperate to achieve a win-win goal, and the advantages of the Group are becoming more prominent. As a professional modern real estate marketing planning agency, the Group has an elite sales team with years of practical experience, customer big data accumulation, and professional and characteristic services to maintain the competitiveness of the Group, in order to obtain more new projects and new cooperation models in the market.

Further, as mentioned in the paragraph headed "Pure Property Planning and Consultancy Business" above, the Group's revenue from pure property planning and consultancy business has increased during the Year because of the increased demand for market research and sales and promotion plans from property developers. The Group currently expects that this trend will enable the Group to secure plenty of pure property planning and consultancy property projects in the next couple of years, thereby providing stable income for the Group for at least the next year. The Group also foresees that it will secure such projects for the provision of comprehensive property consultancy and sales agency services upon their completion, which in turn will secure a further stable source of income for the Group.

As for the Group's future development in Cambodia, the outbreak of the Pandemic has created great uncertainties for the real estate market in the Cambodia, as with the other Southeast Asia countries. The Group's performance in Cambodia during the Year has been significantly affected by the Pandemic. The Group is therefore still in the course of evaluating its business plan in Cambodia. However, the Group will continue to grasp opportunities to expand its growth in the Southeast Asia market as and if market opportunities arise and will continue to look for opportunities through pitching and bidding for projects.

The management of the Group will endeavour to incentivise their employees to proactively identify new projects and new customers for new business 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 Group and satisfactory return to the shareholders of the Company.



## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2020, the Group had net current assets of approximately RMB28,219,000 (2019: RMB34,385,000), total assets of approximately RMB48,078,000 (2019: RMB48,179,000) and equity attributable to owners of the Company of approximately RMB37,320,000 (2019: RMB37,478,000).

As at 31 December 2020, the fixed bank deposits and bank and cash balances of the Group amounted to approximately RMB16,296,000 (2019: RMB28,439,000).

## **BANK BORROWINGS AND OVERDRAFTS**

The Group had no bank borrowings or overdrafts as at 31 December 2020 (2019: Nil).

## **INDEBTEDNESS AND CHARGE ON ASSETS**

As at 31 December 2020, the Group did not have any short term borrowing (2019: Nil) and had long term borrowing of RMB5,000,000 (2019: Nil) which will mature in November 2025.

As at 31 December 2020, the Group had total borrowing of RMB5,000,000. The gearing ratio of the Group (calculated on the basis of total bank and other borrowings over total equity) was 13.4% (2019: 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**

In November 2015, the Company raised net proceeds of approximately HK\$33.3 million by way of rights issue (the "**Rights Issue**"). For details of the Rights Issue, please refer to the Company's announcements dated 1 September 2015 and 16 November 2015, and the Company's prospectus dated 26 October 2015.

As at 31 December 2020, approximately HK\$8.6 million, representing approximately 25.8% of the total net proceeds from the Rights Issue, designated for the purchase of furniture and fixtures for the potential development of an apartment rental platform in the PRC remained unutilised (the “**Unutilised Proceeds**”).

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 2020:

<b>Intended use of net proceeds as previously disclosed</b>	<b>Amount utilised during the year under review</b>	<b>Amount unutilised as at 31 December 2020</b>
Payment of leasing and property management expenses of the apartments under the potential establishment of an apartment rental platform in the PRC	Approximately HK\$0.9 million for the payment of leasing and property management expenses for apartments	Nil ( <i>Note 1</i> )
Purchase of furniture and fixtures for the potential establishment of an apartment rental platform in the PRC	Nil ( <i>Note 2</i> )	Approximately HK\$8.6 million

*Notes:*

1. As at 31 December 2020, the entire portion intended to be used for the leasing and property management expenses of the apartments had been fully utilised.
2. As at 31 December 2020, the entire portion in the amount of approximately HK\$8.6 million intended to be applied to the payment of purchase costs of the furniture and fixtures for the potential establishment of an apartment rental platform had remained unutilised.

As at 31 December 2020, 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. 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 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 resolved on 8 March 2021 to re-allocate the use of the Unutilised Proceeds (the “**Reallocation**”).

The following table sets forth the use of the Unutilised Proceeds after the Reallocation and the expected timeline of use:

<b>Use of Unutilised Proceeds after Reallocation</b>	<b>Amount of the Unutilised Proceeds allocated</b> <i>(HK\$' million, approximately)</i>	<b>Expected timeline of use</b>
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	By the end of 2021
Renovation of an investment property of the Group for future rental purpose	0.8	By the end of 2021
Payment of agency fee for the rental of investment property held by the Group	0.2	By the end of 2022
Payment of other operating expenses in relation to the rental of investment property held by the Group	1.0	By the end of 2022
General replenishment of working capital and other general corporate purpose	0.6	By the end of 2021
	<hr style="width: 100%; border: 0.5px solid black;"/>	
	<b><u>8.6</u></b>	

For details of the Reallocation, please refer to the Company's announcement dated 8 March 2021. As at the date of this announcement, the Company does not anticipate any further change to the above planned use of proceeds after the Reallocation.

## **INTEREST RATE RISKS**

The Group's exposure to interest rate risk mainly stemmed from fluctuations of interest rates for the Group's bank balances and other borrowings with floating interest rate, as the Group had no bank borrowings as at 31 December 2020 (2019: Nil).

## **STAFF AND THE GROUP'S EMOLUMENT POLICY**

As at 31 December 2020, the Group had a total of 130 staff (2019: 120 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.

## **CONTINGENT LIABILITIES**

The Group had no material contingent liabilities as at 31 December 2020 (2019: Nil).

## **CAPITAL COMMITMENTS**

The Group had no material capital commitments as at 31 December 2020 (2019: Nil).

## **PURCHASE, SALE 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 2020.

## **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 2020.

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.

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 2020.

## **IMPORTANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR**

The Directors are not aware of any important events affecting the Group that have occurred since the end of the year ended 31 December 2020 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 2020, the Audit Committee met with the external auditor to review and approve the audit plans and also reviewed the Group's annual results of 2019 and interim results of 2020 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 2020. The Audit Committee convened three meetings during the year ended 31 December 2020.

## **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 2020 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 2020. 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](http://www.fortune-sun.com)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2020 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.

## **2021 ANNUAL GENERAL MEETING**

It is proposed that the 2021 Annual General Meeting (the "2021 AGM") will be held on Friday, 18 June 2021. A notice convening the 2021 AGM will be published on the Company's website ([www.fortune-sun.com](http://www.fortune-sun.com)) and the Stock Exchange's website ([www.hkexnews.hk](http://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 18 June 2021, the register of members of the Company will be closed from Tuesday, 15 June 2021 to Friday, 18 June 2021 (both days inclusive) during which period no transfer of shares will be registered.

In order to qualify for attending and voting at the 2021 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 Friday, 11 June 2021.

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

Hong Kong, 31 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, Mr. Lam Chun Choi and Mr. Chow Yiu Ming.*