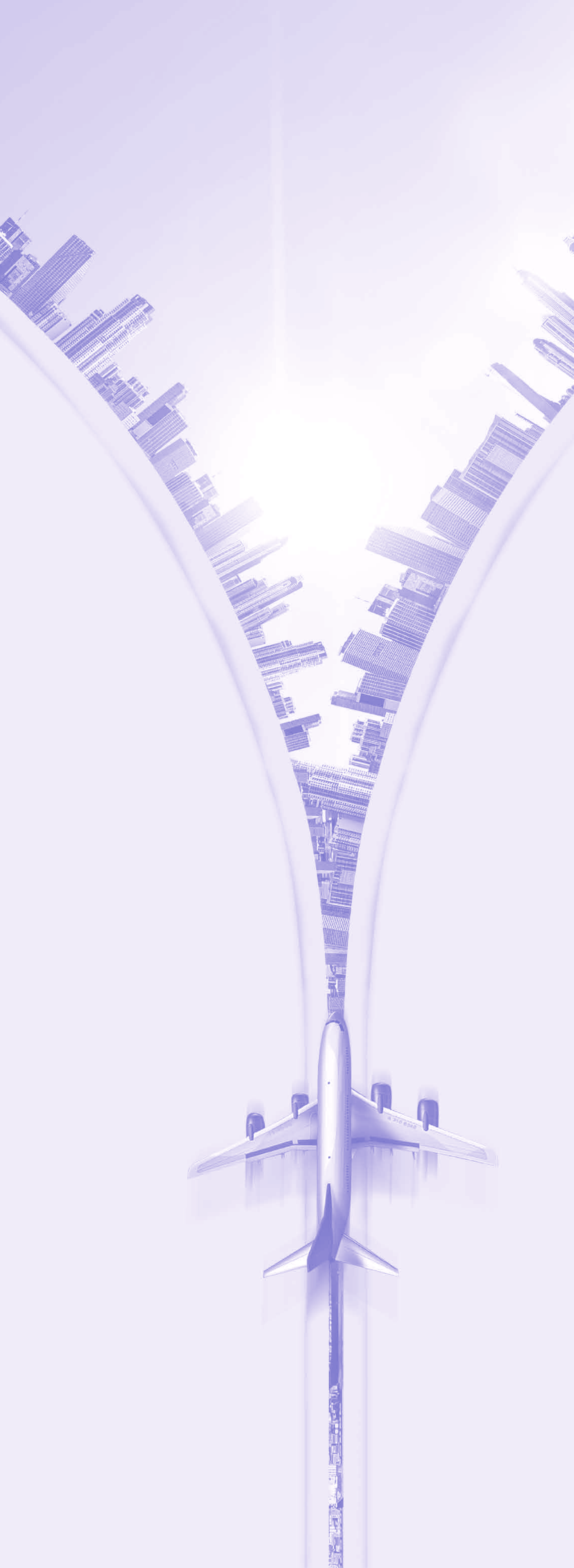
Fortune Sun (China) Holdings Limited
富陽(中國)控股有限公司
(Incorporated in the Cayman Islands with limited liability)

Stock Code : 00352

2020
ANNUAL REPORT



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chiang Chen Feng *(Chairman)*
Ms. Chang Hsiu Hua
Mr. Han Lin

Non-executive Director

Ms. Lin Chien Ju

Independent Non-executive Directors

Mr. Cui Shi Wei
Mr. Lam Chun Choi
Mr. Chow Yiu Ming

EXECUTIVE COMMITTEE

Mr. Chiang Chen Feng *(Chairman)*
Ms. Chang Hsiu Hua
Mr. Han Lin

AUDIT COMMITTEE

Mr. Chow Yiu Ming *(Chairman)*
Mr. Cui Shi Wei
Mr. Lam Chun Choi

REMUNERATION COMMITTEE

Mr. Cui Shi Wei *(Chairman)*
Mr. Lam Chun Choi
Mr. Chow Yiu Ming

NOMINATION COMMITTEE

Mr. Chiang Chen Feng *(Chairman)*
Mr. Lam Chun Choi
Mr. Chow Yiu Ming

REGISTERED OFFICE

2nd Floor, Century Yard
Cricket Square
P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Unit 901
9th Floor
Orient Building
No. 1500 Century Avenue
Pudong New District
Shanghai 200122
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

16th Floor
Tower 5
The Gateway, Harbour City
21 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited

Second Floor, Century Yard
Cricket Square
P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY SECRETARY

Mr. Lui Cheuk Wah

COMPLIANCE OFFICER

Ms. Chang Hsiu Hua

AUTHORISED REPRESENTATIVES

Ms. Chang Hsiu Hua
Mr. Lui Cheuk Wah

AUDITOR

Confucius International CPA Limited
Certified Public Accountants

HONG KONG LEGAL ADVISERS

Chiu & Partners

PRINCIPAL BANKERS

PRC

China Minsheng Banking Corporation Limited

Hong Kong

Bank of Communication Co., Ltd. Hong Kong Branch
OCBC Wing Hang Bank Limited
Bank of China (Hong Kong) Limited

STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

00352

COMPANY WEBSITE

www.fortune-sun.com

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors") of Fortune Sun (China) Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020.

In 2020, facing the challenges of the COVID-19 pandemic (the "Pandemic"), the impact of 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 year of 2020.

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 2020.

Amidst the doom and gloom, our Group sees the recovery after the Pandemic outbreak as its opportunity to rebound. The Group has become acquainted with property developers that are state-owned enterprises or central government-owned enterprises. These property developers have expressed interest to become the Group's long-term strategic partners. The Group is currently under discussion with one municipal central government-owned property developer to enter into a strategic cooperation agreement with a term of no less than 5 years.

In response to the impact of the unfavourable market conditions and the outbreak of the Pandemic on business operation and performance of the Group, the Group has implemented cost-control measures to substantially reduce the operating cost of the Group. Such measures include adopting more cost-efficient marketing and promotion methods when executing sales projects, negotiating more favourable payment terms with its suppliers, and the voluntary reduction by 20% to the remuneration package value of all executive Directors and certain members of the management of the Group with effect from 1 February 2020.

Strategically, the Group will continue to focus its business on the providing residential property consultancy and agency services in the second-tier and fourth-tier cities in the PRC. But to enlarge the Group's geographic coverage so as to maintain its market share in the long-run, in addition to the cities where it has principal operation, the Group has also explored opportunities in other cities, such as Huzhou and Chongqing, where the local governments are administering economy recovery policies. 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 ±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.

In terms of overseas business development, the outbreak of the Pandemic has created great uncertainties for the real estate market in the Cambodia, as with the other Southeast Asia countries. We are still in the course of evaluating the future business plan in Cambodia and look for opportunities.

Given the unprecedented uncertainties and challenges in the property market following the outbreak of the Pandemic and the need of the Group to maintain healthy liquidity level to capture appropriate investment opportunities in 2021, the Board did not recommend the payment of final dividend for the year ended 31 December 2020.

In 2021, the Group will continue to keep abreast of the economic and market developments on domestic levels, and adjust the market positioning of the Group accordingly to better exert our advantages in experience, while taking full advantage of existing resources in the industry in light of the real estate and relevant fiscal policies of the PRC government. The Group will also strive to expand the property consultancy and sales agency as well as asset management businesses in the first and second-tier cities with its prudent and optimistic strategies, so as to increase the number of projects, identify appropriate investment opportunities and broaden sales sources. On the other hand, the Group will strive to cut operating expenses by strengthening budget management and cost control, as well as to strictly control its cash flow, so as to ensure a healthy financial situation for sustainable and stable long term development.

Last but not least, I would like to extend my appreciation to all the members of the Board, the management and the staff for their ongoing efforts over the past year. I also wish to express my sincere gratitude to our shareholders, customers and business partners for their consistent trust in the Group and support to the Group. We will continue to dedicate our efforts towards the long-term development of the Group and strive for satisfactory returns for the shareholders.

By Order of the Board of
Fortune Sun (China) Holdings Limited

Chiang Chen Feng
Chairman

31 March 2021
Hong Kong

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Chiang Chen Feng (江陳鋒), aged 56, is the Chairman and an executive Director and one of the founders of the Group. Mr. Chiang graduated from Feng Chia University (逢甲大學) in Taiwan in June 1989 with a bachelor's degree in business management and started to engage in real estate property valuation and market research. During 1995 to 1996, Mr. Chiang was a researcher of Coastal Greenland Limited (Stock Code: 01124) (the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")), and focused on the PRC market. Mr. Chiang co-founded the Group in April 1997 and was appointed as a director of Shanghai Fu Yang Property Consultant Co., Limited (上海富陽物業諮詢有限公司) ("Shanghai Fortune Sun"), a wholly-owned subsidiary of the Company, since then. He is also a director of each of the other subsidiaries of the Company. Mr. Chiang is the spouse of Ms. Chang Hsiu Hua, an executive Director. Mr. Chiang is currently the director of Active Star Investment Limited, which has an interest in such number of shares of the Company under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance as disclosed in the section headed "Directors' Report — Substantial Shareholders' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company" in this report. Mr. Chiang has voluntarily agreed to a 20% reduction to his salary package from 1 February 2020 as part of the Company's cost control measures. After the reduction, Mr. Chiang is entitled to annual salary of RMB230,000 under the service agreement entered into with the Company.

Ms. Chang Hsiu Hua (張秀華), aged 55, is an executive Director. Ms. Chang obtained her bachelor's degree in public finance from Feng Chia University (逢甲大學) in Taiwan in June 1988. In 1988, Ms. Chang joined Subaru Motors Co., Ltd. (仲慶汽車有限公司) and was responsible for valuation and insurance matters. In January 1993, she commenced working at Equity Law Firm (衡平法律事務所) and was responsible for legal related matters. Ms. Chang joined Shanghai Fortune Sun as a manager of the finance department in July 1997 and she was appointed as a member of the senior management of Shanghai Fortune Sun in January 2000 and has been responsible for financial management. In August 2005, Ms. Chang was appointed as a director of Shanghai Fortune Sun. She is also a director of three other subsidiaries of the Company. Ms. Chang is the spouse of Mr. Chiang Chen Feng, the Chairman and an executive Director. Ms. Chang is currently the director of Active Star Investment Limited, which has an interest in such number of shares of the Company under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance as disclosed in the section headed "Directors' Report — Substantial Shareholders' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company" in this report. Ms. Chang has voluntarily agreed to a 20% reduction to her salary package from 1 February 2020 as part of the Company's cost control measures. After the reduction, Ms. Chang is entitled to annual salary of RMB221,000 under the service agreement entered into with the Company.

Mr. Han Lin (韓林), aged 53, is an executive Director. Mr. Han obtained a bachelor's degree in applied geophysics from Sichuan United University Chengdu College of Geology (四川聯合大學成都地質學院大學) in June 1989. Mr. Han is the holder of Certificate for Real Estate Brokers in Shanghai (上海房地產經紀人證書). During 1989 to 1996, Mr. Han worked at the Shanghai Bureau of Marine Geological Survey (上海海洋地質調查局). Mr. Han has been a director of Shanghai Fortune Sun since April 1997. Mr. Han is also a director of three other subsidiaries of the Company. Since January 2003, he was appointed as a deputy general manager of the business development department of Shanghai Fortune Sun and had been responsible for the business development of the Group. In May 2009, he was appointed as the vice-president of Shanghai Fortune Sun. Mr. Han has voluntarily agreed to a 20% reduction to his salary package from 1 February 2020 as part of the Company's cost control measures. After the reduction, Mr. Han is entitled to annual salary of RMB144,000 under the service agreement entered into with the Company.

Non-executive Director

Ms. Lin Chien Ju (林倩如), aged 48, is a non-executive Director. Ms. Lin obtained a Hospitality Management Diploma from the Educational Institute of the American Hotel and Motel Association in April 1996 and she obtained a bachelor's degree in Business Administration from the American University in London in August 1996. Ms. Lin received her Master of Arts Degree in Management from the Dominican University of California, the United States in May 1998. Ms. Lin is one of the co-founders of the Group. Ms. Lin has been a director of Shanghai Fortune Sun since April 1997. Ms. Lin is currently a director of Upwell Assets Corporation, which has an interest in such number of shares of the Company under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance as disclosed in the section headed "Directors' Report — Substantial Shareholders' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company" in this report.

Independent Non-executive Directors

Mr. Cui Shi Wei (崔士威), aged 69, has been appointed as an independent non-executive Director since June 2006. Mr. Cui obtained master's degree in Law from the Jilin University in the PRC in July 1986. Mr. Cui was a lecturer at the Law School of Jilin University (吉林大學法學學院) from July 1986 to July 1992. Mr. Cui worked as a senior management member of two nationwide insurance companies and Coastal Greenland Limited (Stock Code: 01124), the shares of which are listed on the Stock Exchange.

Mr. Lam Chun Choi (林俊才), aged 52, has been appointed as an independent non-executive Director since September 2017. Mr. Lam received a bachelor's degree in Social Sciences from the University of Hong Kong in 1990, and qualified as a Hong Kong lawyer in 1997. Mr. Lam provided legal advisory service in international law firms and multinational listed companies. He has over 20 years of experience in corporate finance, company and business-related legal and regulatory compliance.

Mr. Chow Yiu Ming (鄒耀明), aged 47, holds a Bachelor of Business Administration degree, majoring in Accounting and Finance, from the University of Hong Kong and a Master of Science in Professional Accountancy degree from the University of London. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He has been a fellow member of The Hong Kong Institute of Directors since July 2019. He has over 23 years of experience in accounting, auditing, financial management and corporate finance, and had held several senior management positions, including chief financial officer and company secretary, in a number of listed and private companies in Hong Kong. He is currently the chief financial officer and company secretary of Lee's Pharmaceutical Holdings Limited (Stock Code: 950) listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Ms. Wang Jia (王佳), aged 51, is a director of Shanghai Fortune Sun and is responsible for supervising all development projects and managing the day-to-day operations of the Group. Ms. Wang joined the Group in April 1997 and had hold the positions of the executive, the assistant manager, manager and the deputy general manager and the general manager of sales department, the regional senior manager and the deputy regional general manager of sales department in Shanghai Fortune Sun. Ms. Wang graduated from Shanghai University in July 1992, majoring in mechanical design and manufacturing. Ms. Wang has over 25 years of experience in property sales and marketing and is also a holder of Certificate for Real Estate Brokers in Shanghai (上海房地產經紀人證書).

Mr. Lui Cheuk Wah (呂焯華), aged 36, is the company secretary and chief financial officer of the Company. Mr. Lui has over 10 years of experience in the accounting and financial industry. Prior to joining the Group, Mr. Lui was an assistant audit manager of RSM Hong Kong. He obtained a Bachelor of Commerce, major in accounting from Curtin University of Technology and is a member of the Certified Practising Accountant Australia and the Hong Kong Institute of Certified Public Accountants.

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 ±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, which was unsecured. 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.

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 Group recorded staff costs (excluding directors' remuneration) of approximately RMB8,426,000 (2019: RMB12,729,000) during the year ended 31 December 2020.

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).

ACQUISITION OF PROPERTY DURING THE YEAR

On 25 November 2020, the Board resolved to approve a wholly-owned subsidiary of the Company (the "Purchaser") to acquire a shop located in Yancheng City, the PRC, from a former customer (the "Vendor") of the Group (the "Acquisition"). The Purchaser was entitled to acquire the property at the consideration of approximately RMB9,384,000, and set-off the consideration by the sum due and owing by the Vendor to the Purchaser in the aggregate sum of approximately RMB5,101,000 as adjudicated by the Court, after the Vendor was unable to satisfy court judgement made in favour of the Purchaser for outstanding contract balance together with the interest and compensation payment accrued thereon. The Acquisition constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules. For details of the Acquisition, please refer to the Company's announcements dated 25 November 2020 and 1 December 2020.

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:

Intended use of net proceeds as previously disclosed	Amount utilised during the year under review	Amount unutilised as at 31 December 2020
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 (Note 1)
Purchase of furniture and fixtures for the potential establishment of an apartment rental platform in the PRC	Nil (Note 2)	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:

Use of Unutilised Proceeds after Reallocation	Amount of the Unutilised Proceeds allocated (HK$' million, approximately)	Expected timeline of use
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
	8.6	

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

ABOUT THE GROUP

Fortune Sun (China) Holdings Limited and its subsidiaries ("Fortune Sun China", "We" or "the Group") are one of the largest providers of one-stop property consultancy and sales agency services in the PRC. With operational headquarters based in Shanghai, the Group offers services covering four value-based service systems, namely property investment management, property finance business, property sale and marketing business and property information business. Adhering to the philosophy of "Advancing the World from the PRC" (從中國升起，向全球發光), on the basis of being rooted and based in the PRC and with the integration of unique elements in the PRC, the Group has been stepping up the exploration of overseas Chinese markets worldwide, and relentlessly providing the Chinese at home and abroad with international property consultancy services of great value and essence.

Fortune Sun China resolutely believes that sustainable development plays an important role in maintaining the business development and long-term growth of the Group. In view of this belief, the Group has been actively committed to fulfilling its environmental and social responsibilities with sustainable development as its long-term goal and has integrated sustainable development into the whole business value chain step by step, with a view to creating benefits and value for its employees, the environment and the communities where it operates in the long run. As a provider of property consultancy and sales agency services, although our operations have a relatively small environmental impact as compared to other industries, we will continue to look for appropriate opportunities to minimise our environmental footprint in our daily operations. In terms of the social aspect and business operations, we not only abide by relevant national and local laws and regulations but also continuously enhance our corporate governance and our communication with stakeholders to understand their needs and expectations, so as to formulate and constantly optimise existing policies, management procedures and measures.

ABOUT THIS REPORT

Reporting Scope and Reporting Standard

This report is the fifth environmental, social and governance ("ESG") report (this "Report") of the Group. This Report aims to outline the environmental, social and governance information and performance of the Group during the financial year from 1 January 2020 to 31 December 2020 ("Reporting Year", "2020"). This Report was prepared according to the "comply or explain" provisions of Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The scope of this Report covers the comprehensive property consultancy and sales agency service business operated by the Group in the PRC which is the principal location of the Group's operation. This Report has been passed and approved by the Board of Directors.

Through this Report, we aim to introduce to the relevant stakeholders the Group's efforts and performance in sustainable development in the past year, so as to enhance the stakeholders' confidence and maintain our competitiveness in the industry. Looking forward, the Group will continue to proactively implement our policies on environmental protection and social care to foster sustainable development internally and externally.

FEEDBACK

If you have any comments and advice on this Report or our performance on sustainable development, please contact us by email at info@fortune-sun.com. Your feedback would greatly help us continuously improve our policies for promoting the sustainable development of the Group.

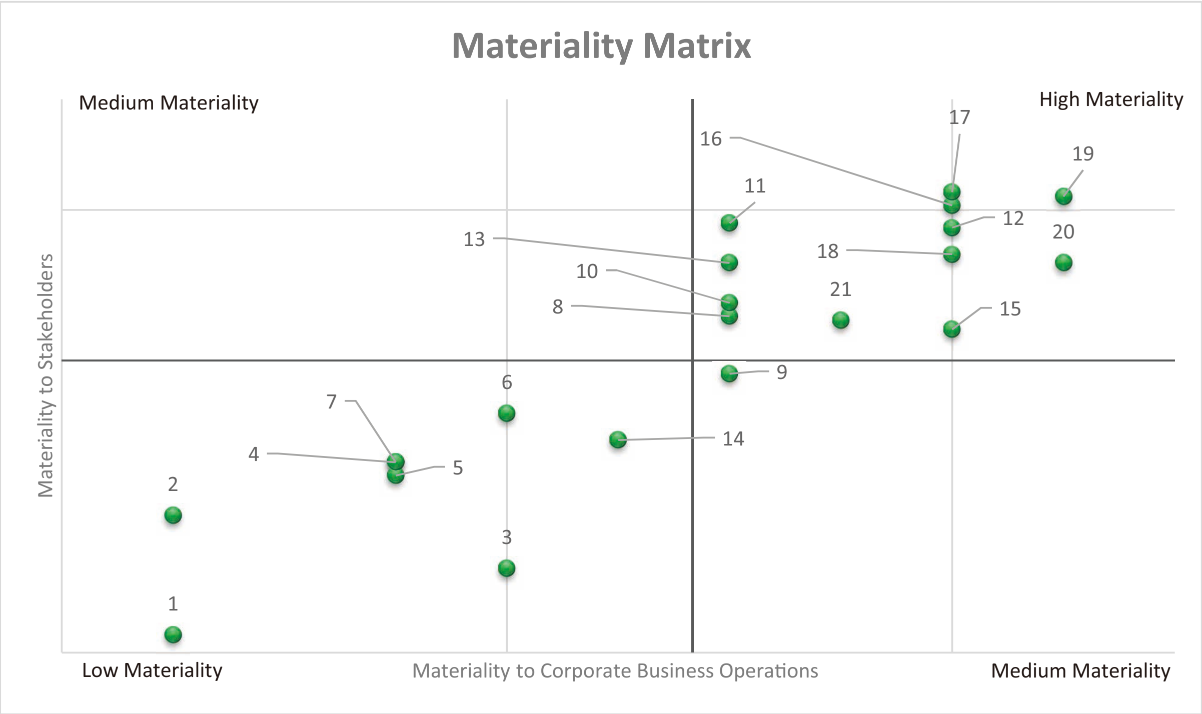
STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

We believe that stakeholder engagement can help the Group understand the needs and expectations of key stakeholders, thus facilitating the formulation and improvement of existing management systems and future sustainable development directions by the Group, and promoting the sustainable development of the Group in the long run. We, as always, engage the stakeholders directly and indirectly affected by our business, including the Board of Directors, employees, customers, suppliers and investors, across various channels, such as seminars, staff training, direct communication with customers, shareholder activities and a face-to-face meeting with investors. The Group will continue to encourage stakeholder participation through different forms of communication.

This report has adopted the result of the materiality assessment (the "assessment") in the Reporting Year and the corresponding methodology is described below.

In order to further identify the materiality of specific ESG issues to the Group, we engaged an independent adviser to assist the Group to determine the relevant ESG issue affecting business operations, which included 21 sustainability issues such as labour practices, environmental protection, supply chain management, product and service offering and community investment. By launching an online survey, we invited internal and external stakeholders to score each sustainability issue according to the materiality to business operations and the stakeholders themselves respectively and provide feedback on each of the topics. The survey results obtained were used for materiality analysis and assessment, and a materiality matrix graph was prepared based on the scores given by the stakeholders as follows. The issues shown in the upper right corner of the materiality matrix graph represent the matters that are of most concern to our stakeholders.

Materiality Matrix



ENVIRONMENT	SOCIETY	
	EMPLOYMENT AND HUMAN RIGHTS	PRODUCT RESPONSIBILITY AND OPERATION STANDARD
1. Air emissions 2. Effluents and waste management 3. Energy efficiency 4. Water efficiency 5. Use of materials 6. Environmental compliance 7. Climate change	8. Employment practices 9. Diversity and equal opportunities 10. Anti-discrimination 11. Customer and staff occupational health and safety 12. Staff training and development 13. Child labour and forced labour 14. Responsible supply chain management	15. Compliance with regulations on marketing, product and service labelling 16. Customer privacy and confidentiality 17. Customer satisfaction 18. Intellectual property 19. Quality of customer service 20. Business ethics
		COMMUNITY
		21. Contributions to the society

Based on the results shown in the materiality matrix graph, we determined 12 ESG issues that the stakeholders are most concerned about and are of the highest materiality to business operations — 19. Quality of customer service, 20. Business ethics, 17. Customer satisfaction, 16. Customers' privacy and confidentiality, 12. Staff training and development, 18. Intellectual property, 15. Compliance with regulations on marketing, product and service labelling, 21. Contributions to the society, 11. Customer and staff occupational health and safety, 13. Child labour and forced labour, 10. Anti-discrimination and 8. Employment practices. The issues we identified and regarded as important can help us determine future strategic directions, put into practice corresponding policies and management and focus our resources on such issues to respond to stakeholders' concerns, needs and expectations.

Going forward, we will continue to collect stakeholders' advice and opinions, and take into consideration the valuable suggestions and advice to continuously improve our ESG performance.

RESPONSIBLE BUSINESS OPERATIONS

Protection of customer privacy and corporate information

With the increasing requirement of business integrity on enterprises in the society and growing awareness of data security of individuals, the Group undertakes to protect customer privacy, keep corporate data in confidentiality, perform confidentiality obligations and abide by all laws and regulations on protecting customer data privacy.

Without the authorisation of the Group, employees are strictly prohibited from disclosing and leaking to any third party any materials and trade secrets (e.g., sales strategy at the sales office, sales data, financial information, technical information and intellectual property rights) relating to corporate transactions or operations or any information relating to the developers, customers and suppliers. All confidential materials and trade secrets must be kept and properly preserved by authorised personnel. Moreover, all employees shall enter into Employee Confidentiality Agreement (企業員工保密協議) upon the start of service to make sure they are fully aware of the importance of protecting customer privacy and preserving the corporate trade secrets and confidential materials so that they can take their due care to protect such information and avoid information leakage. We also set out the confidentiality terms in the Employee Handbook (員工手冊), which specifies applicable confidentiality principles and the required behaviours and conducts. Any employees who breach relevant confidentiality agreement and working disciplines shall be dismissed and held legally liable. In addition, we also require suppliers to fulfil their confidentiality obligations under relevant laws and regulations and may terminate the partnership in case of any breach. During the Reporting Year, the Group confirmed that it was not aware of any case of customer privacy violation under any laws and regulations.

Anti-corruption

Business integrity, rigour and professionalism represent not only our unwavering service concepts but also the key factors underpinning our corporate reputation, competitive edge, business success and sustainable growth. Therefore, we exact zero tolerance for any forms of corruption, bribery, extortion, fraud or money laundering, and abide by the anti-corruption laws and regulations of all localities and nations, including the Criminal Law of the People's Republic of China (中華人民共和國刑法) and the Prevention of Bribery Ordinance (防止賄賂條例) of Hong Kong. In the Employee Handbook, we formulate and set forth the terms and working disciplines regarding anti-corruption, anti-bribery and anti-fraud, which shall be followed by all employees. We sternly prohibit employees from demanding or accepting, directly or indirectly, any benefits, such as gifts, money or other forms of entertainment, or receiving kickbacks and gifts and obtaining related economic and financial benefits in secret by abusing his/her position power. To guarantee that employees understand relevant requirements, each new employee is required to receive anti-corruption training. The Group also requires each employee to enter into Employee Anti-corruption Warranty (企業員工廉潔保證書) to ensure that they follow the relevant requirements and guidelines in performing their duties and understand our stance in maintaining business integrity and the significance of anti-corruption, thus minimising the possibility of any corruption. Employees who breach the terms and requirements of anti-corruption, anti-bribery and anti-fraud shall be subject to disciplinary actions, including the termination of employment; such cases may be reported to relevant authorities if necessary. Similarly, we forbid the suppliers hired by us to bribe our employees in any way and may terminate the partnership in case of any breach. During the Reporting Year, the Group confirmed that it did not have any violations against any laws and regulations on bribery, extortion, fraud and money laundering.

Service responsibility

As one of the Top 10 property consulting and agency planning enterprises in the PRC, the Group strictly complies with laws and regulations on sales and advertisement, including Regulatory Measures on the Sale of Commercial Houses (商品房銷售管理辦法), Provisions on the Administration of Urban Real Estate Intermediary Services (城市房地產中介服務管理規定), Regulatory Measures on Advance Sale of Urban Commercial Houses (城市商品房預售管理辦法), Interim Rules on Advertisement for Real Estate (房地產廣告發佈暫行規定) and Notices on Further Strengthening Management of Real Estate Advertisements (關於進一步加強房地產廣告管理的通知). Our customers mainly consist of property buyers, sellers and owners, potential real estate investors. We attach great importance to the quality of customer service provided by us and intend to deliver a comprehensive and premium user experience to customers. For this purpose, we require employees to acquire detailed and in-depth knowledge of relevant real estate projects, such as their planning and design, architectural style as well as latest policies, regulations, mortgages and taxes applicable thereto, ensuring that they can furnish the latest and accurate materials and market information of the real estate projects to customers. If customers have opinions or complaints about our services and product sales, they may send such opinions to our dedicated email address. We will have specially-assigned staff make contact and follow up the case within three to five days after receiving relevant email. Meanwhile, we will analyse the root cause of each complaint case to prevent any similar cases from recurring.

When it comes to product and service advertising, the Group will directly use the sales promotion materials from real estate developers, including advertisements, sales brochures and promotional slogans, to introduce relevant real estate projects to customers. Where the real estate developer requests us to co-produce some materials for sales promotion (such as advertising), we will hire suppliers to do so. Upon completion of the materials, we will submit them to the real estate developer for approval and execution, and such materials may be put in use only after they are confirmed to be accurate, correct and not against relevant laws and regulations on advertising and intellectual property rights.

During the Reporting Year, the Group received no product or service complaints, nor was it aware of any violations against any laws and regulations with respect to the health, safety, advertisements and labelling of the products and services provided by us.

CARING FOR EMPLOYEES

Employment

Fortune Sun China is convinced that employees are the driver for the lasting business growth of the Group, and their know-how and experience are an integral part of the Group's continuous innovation, brand promotion and successful practices of efficient marketing management. Therefore, we are committed to increasing employee satisfaction with the Group, enhancing staff training and promoting employee well-being, as we strive to create a pleasant, harmonious and safe working environment for our employees to retain talents.

As a responsible enterprise, apart from strictly complying with relevant labour laws and regulations in the places of operation (such as Labour Law of the People's Republic of China (中華人民共和國勞動法), Labour Contract Law of the People's Republic of China (中華人民共和國勞動合同法) and Employment Ordinance (僱傭條例) of Hong Kong), we have also established Personnel Management Rules and Regulations (人事管理規章), Remuneration System (薪資制度) and Employee Handbook (員工手冊), to guarantee employees' entitlement to reasonable compensation and benefits and prevent the employment of child labour and forced labour. In determining the compensation, recruitment, promotion and performance of the employees, we make an assessment based on objective factors such as their competency, experience, qualifications and skills, providing equal opportunities for all employees regardless of gender, race, age, disability, marital status or other grounds, in order to build a fair and diversified workplace featuring mutual respect.

In addition to a competitive salary, official rest days, and holidays and paid annual leave, we also offer a variety of benefits to employees, including marriage leave, maternity leave, home visit vacation with travelling allowance for foreign employees, pension, wedding cash gift and other allowances (including those related to business travel, house, meal and communication). Besides, we established an employee welfare committee to serve employees and their families by organising a wide array of employee activities and regular social gatherings, in pursuit of the cohesion and sense of belonging among the employees. To reward employees for their diligence, we also offer attendance and quarterly bonuses, and year-end bonus will be granted to the outstanding employees based on their respective work performance with the aim to sharing the gains with our employees and enhancing their motivation and morale in work. Furthermore, we make contributions to various employees benefit plans (including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund) and mandatory provident fund scheme for employees in a timely manner according to relevant local labour laws.

We do not encourage employees to work beyond working hours and employees who have to work overtime on special circumstances are entitled to corresponding time-off. Moreover, employees have the freedom to decide whether to work with us, and all labour contracts, agreements and declarations are signed by employees with the Group voluntarily on equal footing, and employees have obligations to observe the relevant provisions. If an employee resigns, he/she can terminate the employment contract only by giving a written notice ahead of time or by payment in lieu of notice. Nevertheless, an employee shall be dismissed if he/she seriously violates relevant working disciplines and confidentiality provisions set out in the Employee Handbook.

We value the voice of every employee and encourage our staff to express their opinions and give suggestions towards the Group or the management through specified complaint and advice channels, so that the management can understand the problems encountered by our employees in their daily works and make improvements accordingly, thus facilitating the communication between employees and the management. The complaint or advice, once received, shall be kept confidential, and the management shall investigate whether the information provided is reliable or not; if the complaint was proved to be factual, management team would have to handle, respond to and follow up on the matter properly as soon as possible.

During the Reporting Year, the Group confirmed that there were no violations against any laws and regulations on labour and employment.

Employee activities in 2020

We hold a range of staff gatherings each year, where employees of Fortune Sun China are able to gather to know and interact with each other through various games and activities, and where we take the chance to inspire employees and thank them for their contribution to our business in the past year. However, considering that COVID-19 was running rampant in the world during the Reporting Year, the Group has limited the organisation of employee activities to mitigate the risks of spreading of the virus. One of the activities held during the Reporting Year was the Annual Dinner.

Occupational health and safety

Since the daily operation of the Group is predominantly office-based, the occupational hazards and accidents involved are relatively limited as compared to other industries. Nevertheless, we do not neglect the health and safety of employees. Instead, we are devoted to creating a comfortable and safe working environment for them. As guided by our "Health and Safety Policy", we identify and manage potential health and safety hazards and risks at relevant workplaces, comply with regulations on occupational health and safety in the places of operation (e.g., Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法) and Occupational Safety and Health Ordinance (職業安全及健康條例) of Hong Kong), and provide sufficient resources and take appropriate control measures to sustain safe workplaces.

Our administrative department checks the daily cleanliness and order of our offices periodically to ensure the tidiness of the office area, the proper storage of office materials and the accessibility of office corridors and fire escapes, so as to protect employees from accidents and injuries. Office equipment such as printers, photocopiers and fax machines are placed in separate printing rooms, so as to ensure good air quality in the office area. In addition, we also require employees to keep the office area clean and safe. For example, smoking and spitting are banned at workplaces.

To raise the safety awareness of employees, we participate in fire drills organised by property management companies regularly and conduct fire safety training at our sales offices for employees to brush up on the proper use of fire extinguishers and the everyday fire safety precautions, improving employees' awareness of fire safety and their response to fire hazards. Any employees who encounter a safety hazard during work shall halt the work in hand immediately and notify administrative personnel promptly.

To protect our employees from the threat of COVID-19, the Group has taken precautionary measures such as providing masks to our employees.

During the Reporting Year, the Group confirmed that there were no violations against any laws and regulations on occupational health and safety.

Staff development and training

Fortune Sun China understands that the employees' performance and individual achievement constitute one of the key enablers for our success. With a commitment to promoting the career development of employees, we hold tailored training for employees in different departments through our training system, to improve their knowledge, skills and values. This will boost employees' comprehensive strength and job satisfaction and help them achieve self-fulfilment, thus better supporting our overall strategic objectives.

All new employees are required to attend induction training during the probation period to familiarise themselves with our culture, business goals, values and constitutional rules so that they can adapt to our working environment and fit in the existing working teams more swiftly. The contents of the training cover our organisational structure, corporate culture and other general introductions, basic job-related processes and knowledge of the post, labour standards and anti-corruption measures, etc. In addition, based on the training requirements of each department and the job level of each employee, we provide all sorts of internal training, including executive training and professional training related to specific real estate project (e.g., basic real estate know-how, updates of latest real estate policies, skills in market case research and reporting, sales methods and operations, knacks of customer source expansion, customer services and manners, etc.), to improve the management skills, know-how and expertise of employees. To encourage our employees to undertake life-long learning, we offer opportunities for external training and tuition fee subsidies to eligible employees. After each training session, employees will be tested and assessed to ensure that they have fully mastered the training content, and such assessment may also be used to improve training in the future. In order to further motivate staff to participate in the training, the Group has established a point-based training management system, whereby employees can earn points after completion of the training according to the course content and assessment results. The annual accumulated points would then be used as a reference for promotion.

In addition to staff training, we also appraise the performance of employees periodically. The purpose is to make them fully aware of their achievement, performance and areas for improvement, motivate them to pursue continuous improvement as well as nurturing their fulfilment of personal goals and professional career development. The appraisal results will be linked to employees' promotion assessment. If there is a job vacancy in the Group, we will take internal staff promotion as a priority consideration, as an endeavour to maintain a reasonable career ladder and retain talents.

We will constantly review the current management regime on compensation and benefits to employees, staff training and staff development, so as to refine the strategy and direction of talent management, as well as maintaining a harmonious labour relationship and our competitiveness in the industry.

Management of suppliers

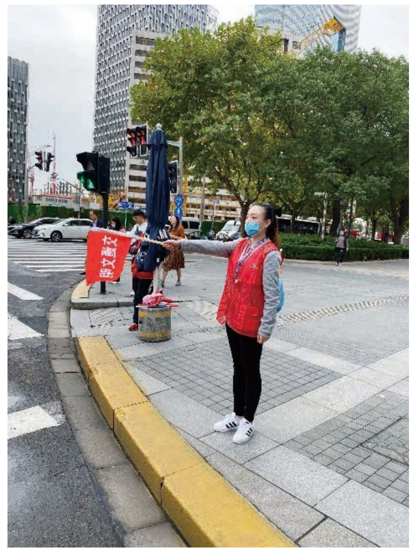
The major suppliers of the Group are vendors of office supplies and providers of other real estate services, including sellers of office equipment, contractors for decoration and construction engineering and advertisement designers. Keeping a good long-term partnership with suppliers and managing the supply chain properly and effectively can help us to maintain high-quality services, as well as minimising the social and environmental risks arising from the supply chain, which paves ways to sustainable development.

We have stipulated the procedure and criteria for supplier selection and evaluation in our Administrative Rules and Regulations (《行政管理規章》), whereby we select suitable suppliers of quality products and services and regularly monitor their compliance with our standards. During supplier selection, apart from investigating into the basic business background and business qualifications of potential suppliers, we also take into account a number of other factors, including price, geographical location, quality standards, know-how and services, etc. If necessary, we would ask suppliers to provide samples for evaluation. A supplier will be recognised as a qualified supplier of the Group only when it meets the above criteria according to the review of the administrative department. We have also introduced a complete procurement bidding process to ensure fair and equitable bidding and maintain a fair competition environment for suppliers by comparing three or more quotations. To further guarantee the quality of the products and services from suppliers, we will evaluate the performance of incumbent suppliers upon their delivery of the products and services. We rate a supplier cooperating with us according to four criteria, namely, quality of its products or services, timeliness of delivery, the attitude of service and professionalism. The underperforming supplier shall be suspended from bidding, and its status as a qualified supplier would be resumed only if it passes the re-evaluation.

In addition, we urge all of our suppliers to observe our Code of Ethics and Code of Conduct for Suppliers (《供應商道德規範和商業行為準則》). The code covers five major areas, namely, working conditions, environmental responsibility, quality standards for delivery, anti-corruption and anti-bribery as well as intellectual property rights and duty of confidentiality. It requires suppliers to abide by relevant laws and regulations and expects them to recognise and fulfil their ethical responsibilities so as to attain mutual trust and respect between the Group and the suppliers.

COMMUNITY ENGAGEMENT

Following the principle of "dedication, friendship, mutual assistance and progress", Fortune Sun China encourages employees to practise and integrate these principles in their daily life and work, by participating in volunteer services and community activities, so as to better serve our customers with greater efforts and care for neighbours and the society to generate a positive influence on the society. During the Reporting Year, we organised a themed event "Fortune Sun Public Welfare Action (富陽公益行)" in the residential area of Weifang Street Community (濰坊街道社區) in Shanghai to assist the residents therein to clean the trash on streets and the old flyers on mailboxes and iron gates and tidy up the bicycles parked in a disorderly manner on the roads or walkways to prevent traffic blocking in the community. This activity was intended to advocate the spirit of caring for the community and encourage our employees to engage in the community more proactively.

ENVIRONMENTAL PROTECTION

The principal activities of Fortune Sun China are the provision of one-stop property consultancy and sales agency services. Since we are less involved in business operations and activities with direct relations to the environment, the impact of our business operations on the environment and natural resources is less material. Nevertheless, the Group has come up with relevant environmental policies as guidance for us to operate in compliance with applicable environmental laws and regulations in the places of operations. Besides, we persistently pursue business operations featuring efficient use of resources, minimisation of energy use and waste generation through diverse initiatives under our existing business scope.

In providing property consultancy services, the Group will also consider the potential environmental risk and impact of the property development project, including its compliance with local environmental laws and regulations, (including but not limited to the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), Energy Conservation Law of the People's Republic of China (中華人民共和國節約能源法), etc.), its environmental protection measures, etc., thus enabling customers to have a thorough understanding of the environmental protection elements and impact of the project.

During the Reporting Year, the Group confirmed that there were no violations against any environmental laws and regulations.

Emissions

Since the operations of the Group's property consultancy and sales agency business are predominantly office-based, they do not involve any substantial emissions of exhaust gas, wastewater or hazardous or non-hazardous waste during operations[1]. The environmental footprint of the Group's daily operations is mainly comprised of the greenhouse gas ("GHG") emissions generated from the use of purchased electricity, vehicle fuel consumption as well as business trips. During the Reporting Year, the total GHG emission of the Group was 36.53 tonnes of carbon dioxide equivalent (tCO_2e), representing an intensity of 0.28 tCO_2e per employee. We have implemented various energy conservation and emission reduction measures, the details of which are set out below in this section.

GHG Emissions[2]		Unit	Year 2020	Year 2019
Scope 1	Direct GHG emissions[3]	tCO_2e	8.64	6.77
Scope 2	Indirect GHG emissions from energy consumption[4]	tCO_2e	26.68	32.14[5]
Scope 3	Other indirect GHG emissions[6]	tCO_2e	1.21	131.62
Total		tCO_2e	36.53	170.53[5]
	Intensity[7]	tCO_2e/full-time employee	0.28	1.42[5]

1 The Group generates very little hazardous waste in daily operation, so the relevant data will be neglected. General non-hazardous waste will be disposed of by qualified cleaning contractors. The actual weight record of non-hazardous waste is not available and thus no relevant waste data is disclosed.

2 The greenhouse gas emissions is estimated with reference to GHG Protocol Tool for energy consumption in China (Version 2.1) published by World Resources Institute and 2011–2012 Regional Power Grid Average CO_2 Emission Factors in China guideline published by the National Development and Reform Commission of the People's Republic of China.

3 Emissions in Scope 1 include the direct GHG emissions from the use of corporate vehicles owned by the Group.

4 Emissions in Scope 2 include the emission from the purchased electricity from power companies.

5 The amount of GHG emission in Scope 2 was restated due to an update of respective GHG emission factor.

6 Emissions in Scope 3 only include the GHG emissions from the business trips of the Group's employees by plane.

7 As at 31 December 2020 and 31 December 2019, the total numbers of full-time employees are 130 and 120 respectively.

During the Reporting Year, there was a significant decrease in GHG emissions mainly due to a drastic decrease in business air travel under the threat of COVID-19. The main source of our GHG emissions was purchased electricity, yet there was a significant decrease in electricity consumption in the Reporting Year, which demonstrated the effectiveness of our energy use efficiency initiatives. In the future, the Group will continue on close monitoring of its GHG emission and making any improvement and refinement on respective measures when necessary.

In terms of air travelling, it is important for us to explore new business opportunities and maintain the relationship with our existing clients. We will continue to keep track of employees' business travelling and the corresponding GHG emission. The Group will continue to encourage the employees to make uses of phone or video conferencing to reduce the emissions from air travel.

Use of resources

In order to use resources effectively, the Group has established various measures focusing on the use of water, resources and office paper during operation, with a view to reducing the carbon footprint left by the Group's operation while minimising unnecessary operating cost. We have formulated the Green Office Management Procedure (《辦公室綠色環保制度》) with an aim to create a comfortable working environment while putting into practice the philosophy of energy conservation and environmental protection in every little aspect of office work, thus raising the awareness of the staff on environmental protection.

Electricity saving

- Not using air conditioners under appropriate temperature. When air conditioners are turned on, the indoor temperature shall be set no lower than 26˚C in summer and no higher than 20˚C in winter
- Using LED and other energy-saving lighting devices
- Utilising the natural light where applicable and turning off the lighting system for areas left unused
- Switching the lighting in the hall and corridors to night mode when off duty
- Reminding employees to turn off their personal computer and display screen when off duty

Water-saving[8]

- Using water-saving devices
- Appropriate control of water flow
- Timely repairs when there is water dripping, seepage and leakage

[8] Water resources were provided by local water supply company, hence the Group did not have difficulties on water sourcing. The water charges incurred by the operating units of the Group were included in office rents, so no record is available for the actual water consumption.

Reducing the use of paper

- Disseminating announcements and notices through the intranet instead of distributing paper ones
- Reminding the employees to print and copy corporate documents only when necessary. Documents shall be printed and copied on both sides of the paper
- Recycling paper with contents printed on one side for reuse and printing
- Using recycled paper as much as possible for printing and copying

According to the Management Procedure for the Use of Vehicles, employees intending to use corporate vehicles for work need to submit an application in advance, and the administrative department will arrange vehicles and plan the routes based on the number of passengers and distance to avoid unnecessary transportation as much as practicable. In addition, we try not to use corporate vehicles for picking up employees for business trips. Where vehicles are needed for such purpose, employees are required to gather at one place before departure, so as to reduce the fuel consumed by vehicles. We carry out vehicle maintenance regularly to ensure the safety and normal fuel consumption of our vehicles, thus reducing GHG emissions and energy consumption.

The Group's operations do not involve the consumption of packaging materials. During the Reporting Year, the Group consumed a total of 33.17 Megawatt hours (MWh) of electricity, 3,924.40 litres (L) of gasoline and 149.69 kilograms(kg) of paper.

Resource Consumption	Unit	Year 2020	Year 2019
Electricity	MWh	33.17	39.97
Intensity	MWh per employee[9]	0.26	0.33
Vehicle fuel (gasoline)	L	3,924.40	3,074.88
Intensity	L per employee	30.19	25.62
Paper[10]	kg	149.69	114.76
Intensity	kg per employee	1.15	0.95

9 The total number of full time employees as at 31 December 2020 was 130.

10 This figure is derived from the Group's total paper consumption of 30,000 pieces in 2020 and the unit weight of 80g/m^2.

Compared with the data disclosed in 2019, the consumption of gasoline and paper had a significant increase of 28% and 30% respectively. The increase in consumption of gasoline was mainly due to an increase in the activities of site visit for pure consultancy property services; the increase of paper consumption was caused by the fulfilment of business needs. On the other hand, there was a significant decrease of 17% in electricity consumption which proved the effectiveness of our electricity saving initiatives. Moving forward, the Group will closely monitor the consumption of resources and continue to implement and improve the corresponding resource-saving practices.

APPENDIX — ESG REPORTING GUIDE INDEX

Subject Areas, Aspects, General Disclosures and Key Performance Indicators ("KPIs")		Policies and Procedures	Explanation/Reference Section
Subject Area A. Environmental			
Aspect A1 Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste *Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.* *Hazardous wastes are those defined by national regulations.*	Environmental Policy Statement Management Procedure for the Use of Vehicle	Please refer to the section headed "Environmental Protection" for details.
KPI A1.1	The types of emissions and respective emissions data.	–	The operations of the Group have no significant air emission
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	–	Please refer to the section headed "Environmental Protection" for details

Subject Areas, Aspects, General Disclosures and Key Performance Indicators ("KPIs")		Policies and Procedures	Explanation/Reference Section
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	–	The operations of the Group have no significant waste generation
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	–	Please refer to the section headed "Environmental Protection" for details
KPI A1.5	Description of measures to mitigate emissions and results achieved.	–	Please refer to the section headed "Environmental Protection" for details
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	–	The operations of the Group have no significant waste generation
Aspect A2 Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. *Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.*	Green Office Management Procedure Employee Handbook	Please refer to the section headed "Environmental Protection" for details
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	–	Please refer to the section headed "Environmental Protection" for details
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	–	Please refer to the section headed "Environmental Protection" for details
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	–	Please refer to the section headed "Environmental Protection" for details

Subject Areas, Aspects, General Disclosures and Key Performance Indicators ("KPIs")		Policies and Procedures	Explanation/Reference Section
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	–	The operations of the Group do not face significant problems in sourcing water
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	–	The operations of the Group do not involve packaging material consumption
Aspect A3 The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	–	The operations of the Group have no significant impact on the environment and natural resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	–	The operations of the Group have no significant impact on the environment and natural resources
Subject Area B. Social			
Employment and Labour Practice			
Aspect B1 Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Personnel Management Rules and Regulations Remuneration System Employee Handbook	Please refer to the section headed "Caring for Employees" for details
Aspect B2 Health and Safety			

Subject Areas, Aspects, General Disclosures and Key Performance Indicators ("KPIs")		Policies and Procedures	Explanation/Reference Section
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Health and Safety Policy	Please refer to the section headed "Occupational health and safety" for details
Aspect B3 Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	HR Policies	Please refer to the section headed "Staff development and training" for details
Aspect B4 Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Personnel Management Rules and Regulations Employee Handbook	Please refer to the section headed "Employment" for details
Operating Practices			
Aspect B5 Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Administrative Rules and Regulations Code of Ethics and Code of Conduct for Suppliers	Please refer to the section headed "Management of Suppliers" for details
Aspect B6 Product Responsibility			

Subject Areas, Aspects, General Disclosures and Key Performance Indicators ("KPIs")		Policies and Procedures	Explanation/Reference Section
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Employee Handbook Employee Confidentiality Agreement	Please refer to the section headed "Responsible Business Operations" for details
Aspect B7 Anti-corruption			
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Employee Handbook of Personnel Management Rules and Regulations Employee Anti-corruption Declaration	Please refer to the section headed "Responsible Business Operations" for details
Community			
Aspect B8 Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	–	Please refer to the section headed "Community Engagement" for details

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The principal activities of the Company's principal subsidiaries are provision of property consultancy and sales agency services for the property markets mainly in the PRC and Southeast Asia. Particulars of the Company's subsidiaries are set out in note 21 to the consolidated financial statements. The nature of the principal activities of the Group has not changed during the year under review.

Environmental policy and performance

As a property consulting and sales agency service enterprises, the Group understood that we shoulder the relevant duties and obligations to environmental protection. Although our business nature has less impact on the environment and natural resources, we also formulated the relevant environmental policy to guide us comply with the relevant environmental laws and regulations, adopted various environmental measures in our daily operations and lower the carbon footprint of the Group. It includes energy saving, water conservation and paper usage reduction in office. We continued to seek for any suitable opportunity to reduce our impact on environment in our daily operation. For details of the environmental policy and performance of the Group, please refer to the section headed "Environmental, Social and Governance Report" in this report.

Compliance with relevant laws and regulations

During the year ended 31 December 2020, the Group has complied with all relevant laws and regulations that have a significant impact on the Group.

The important relationship between the Group and its employees, customers and suppliers

The Group has maintained a good relationship with its employees, customers and suppliers that have a significant impact on the Group and on which the Group's success depends.

Employees: The Group deeply believes that its employees are essential to its continuous business growth. We strive to provide our employees with fair and competitive remuneration and benefits, maintain reasonable promotion ladder, provide a variety of training to enhance comprehensive quality of employees and facilitate their personal and career development. We also strictly complied with relevant labour and occupational safety laws and regulations in the location of operation to safeguard the reasonable interest of our employees. Meanwhile, we organized and held activities for our staffs on a regular basis in order to closely connected with them and enhance the cohesion and bonding. In addition, we put great emphasis on staffs' health and safety and committed to providing a tidy, comfortable and safe workplace for our staff in order to lower the chance of workplace injury. In order to understand the ideas and advices of our staff towards the Group, our staff could express their opinions to the management through our established communication channels and strengthen their mutual relationships.

Customers: The major customers of the Group include property buyers, sellers, owners and potential investors. We are committed to providing comprehensive and quality property consulting and sales services to the customers, render clear and accurate information of property projects and market intelligence, as well as fulfill confidentiality obligations to protect data privacy of the customers to earn their trust.

Suppliers: The major suppliers of the Group include suppliers of office supplies and other property service providers, including but not limited to renovation services and advertisement designing services. The Group seeks to maintain impartial and long-term cooperation with the suppliers and formulated a set of procurement and tendering process, supplier selection process and code of conduct to properly manage suppliers, to ensure a fair and square tendering process and maintain a business environment which allows fair competition among suppliers to attain mutual trust and respect. Moreover, we also assess the performance of our suppliers on a regular basis to ensure the product and service standard of our suppliers maintain at a high quality level.

For details of the relationship between the Group and its employees, customers and suppliers, please refer to the section headed "Environmental, Social and Governance Report" in this report.

Business review

During the year under Review, the Company has complied with all the relevant laws and regulations that have a significant impact on the operations of the Group. The Group has maintained a good relationship with its employees, customers and suppliers.

Further discussion and analysis of the business review as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the laws of Hong Kong), including, among others, a description of the principal risks and uncertainties facing the Group and an indication of the likely future development in the Group's business, can be found in the section headed "Management Discussion and Analysis" as set out on pages 9 to 18 of this report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 and the state of affairs of the Company and the Group as at 31 December 2020 are set out in the consolidated financial statements on pages 72 to 134 of this report.

On 31 March 2021, the Directors resolved not to recommend any final dividend to the shareholders of the Company (the "Shareholders") for the year ended 31 December 2020.

DIVIDEND POLICY

The Company has adopted a dividend policy ("Dividend Policy"), pursuant to which the Company may declare and distribute dividends to the shareholders of the Company (the "Shareholders"), provided that the Group records a profit after tax and that the declaration and distribution of dividends does not affect the normal operations of the Group.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. In proposing any dividend payout, the Board shall also take into account, inter alia, the Group's operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors it may deem relevant at such time. Any payment of the dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands, the articles of association of the Company ("Articles of Association") and the Shareholders.

The Board intends to recommend an annual dividend payment at a target payout ratio in a range of 10% to 30% of the Group's consolidated net profit for distribution to the Shareholders for the then financial year, subject to the criteria set out in the Dividend Policy.

The Dividend Policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific periods.

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.

INVESTMENT PROPERTIES

Details of investment properties of the Group are set out in note 20 to the consolidated financial statements as well as the section headed "Summary of Major Properties" on page 136 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Company and of the Group during the year under review are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year under review are set out in note 28 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Company and of the Group are set out in note 29(b) to the consolidated financial statements and the consolidated statement of changes in equity on page 76, respectively.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, Cap. 22 (Law 3 of 1961, as revised and consolidated from time to time), the share premium is available for distribution to Shareholders subject to the provisions of the articles of association of the Company (the "Articles of Association"), and no distribution may be paid to Shareholders out of the Company's share premium unless the Company shall be able to pay its debt as they fall due in the ordinary course of business. As at 31 December 2020, the Company's reserves available for distribution amounted to approximately RMB8,883,000 (2019: RMB20,621,000).

GROUP FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last five financial years are summarized in the section headed "Summary of Financial Information" on page 135 of this report.

DIRECTORS

The Directors of the Company during the year under review and up to the date of this report are as follows:

Executive Directors

Mr. Chiang Chen Feng *(Chairman)*
Ms. Chang Hsiu Hua
Mr. Han Lin

Non-Executive Director

Ms. Lin Chien Ju

Independent Non-Executive Directors

Mr. Cui Shi Wei
Mr. Lam Chun Choi
Mr. Chow Yiu Ming

According to Article 108(A) of the Articles of Association, not less than one-third of the Directors shall retire from office by rotation at each annual general meeting of the Company. Any Director who retires under this article shall then be eligible for re-election as Director. Mr. Chiang Chen Feng, Mr. Cui Shi Wei and Mr. Chow Yiu Ming will retire as Directors and, being eligible, offer themselves for re-election as Directors at the 2021 AGM.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules, and as at the date of this report, the Company still considers all of them to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 1 June 2006 renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of appointment until terminated by either party giving to the other not less than three months' advance written notice of termination.

Each of Ms. Lin Chien Ju, a non-executive Director and Mr. Cui Shi Wei, an independent non-executive Director, has been appointed for a term of one year commencing from 10 June 2006; while Mr. Lam Chun Choi, an independent non-executive Director, has been appointed for a term of one year commencing from 19 September 2017; while Mr. Chow Yiu Ming, an independent non-executive Director, has been appointed for a term of one year commencing from 21 June 2019, all of which are renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of appointment until terminated by not less than three months' notice in writing served by either the Company or the respective Director on the other party.

None of the Directors proposed for re-election at the forthcoming 2021 AGM has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (except for statutory compensation).

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENT

The emolument payable to Directors is determined by the Board with reference to recommendations given by the remuneration committee of the Company to the Board taking into account the Directors' duties and responsibilities. Details of the Directors' remuneration during the year under review is set out in note 14 to the consolidated financial statements.

The remuneration of the senior management of the Group during the year under review are set out below in bands:

	Number of individuals	
	2020	2019
HK$Nil to HK$1,000,000 (equivalent to approximately RMB Nil to RMB889,000 in 2020 and approximately RMB Nil to RMB880,000 in 2019)	**3**	3

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Particulars of related party transaction and balances are disclosed in note 32 to the consolidated financial statements. Such related party transactions are fully exempted connected transactions or continuing connected transactions which have complied with the requirements of Chapter 14A of the Listing Rules.

Save as disclosed above, there was no transaction, arrangement or contract subsisting during or at the end of the year in which any Director or an entity connected with a Director was materially interested and which was significant in relation to the business of the Group.

CONTRACTS OF SIGNIFICANCE

No contracts of significance between the Company, or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries nor contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries subsisted during or at the end of the year ended 31 December 2020.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Name of Directors	Company/ Name of associated corporation	Capacity	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Chiang Chen Feng ("Mr. Chiang")	The Company	Interest of a controlled corporation (Note 2)	89,659,979 Ordinary Shares (L)	36.42%
		Beneficial owner and interest of spouse (Note 3)	1,637,390 Ordinary Shares (L)	0.67%
		Beneficial owner and interest of spouse (Note 4)	4,200,000 Ordinary Shares (L)	1.66% (Note 12)
Ms. Lin Chien Ju ("Ms. Lin")	The Company	Interest of a controlled corporation (Note 5)	43,722,460 Ordinary Shares (L)	17.76%
		Beneficial owner (Note 6)	100,000 Ordinary Shares (L)	0.04% (Note 12)
Mr. Han Lin ("Mr. Han")	The Company	Beneficial owner	7,051,801 Ordinary Shares (L)	2.86%
		Beneficial owner (Note 7)	1,500,000 Ordinary Shares (L)	0.59% (Note 12)

Name of Directors	Company/ Name of associated corporation	Capacity	Number and class of securities (Note 1)	Approximate percentage of shareholding
Ms. Chang Hsiu Hua ("Ms. Chang")	The Company	Interest of spouse (Note 8)	89,659,979 Ordinary Shares (L)	36.42%
		Beneficial owner and interest of spouse (Note 9)	1,637,390 Ordinary Shares (L)	0.67%
		Beneficial owner and interest of spouse (Note 10)	4,200,000 Ordinary Shares (L)	1.66% (Note 12)
Mr. Cui Shi Wei ("Mr. Cui")	The Company	Beneficial owner (Note 11)	200,000 Ordinary Shares (L)	0.08% (Note 12)

Notes:

1. The letter "L" denotes the Directors' long position in the shares ("Shares") or underlying Shares of the Company.

2. These Shares were registered in the name of Active Star Investment Limited ("Active Star"), the entire issued capital of which was owned by Mr. Chiang. Mr. Chiang and Ms. Chang were the directors of Active Star. Mr. Chiang was deemed to be interested in all the Shares in which Active Star was interested by virtue of the SFO.

3. The long position of Mr. Chiang in these 1,637,390 Shares comprised the 894,347 Shares and 743,043 Shares beneficially owned by him and his wife, Ms. Chang respectively. Mr. Chiang was regarded as interested in all the Shares in which Ms. Chang was interested by virtue of the SFO.

4. The long position of Mr. Chiang in these 4,200,000 Shares comprised 2,400,000 options and 1,800,000 options granted to him and his wife respectively by the Company under the share option scheme on 19 January 2017. Mr. Chiang was regarded as interested in all the Shares in which Ms. Chang was interested by virtue of the SFO.

5. These Shares were registered in the name of Upwell Assets Corporation ("Upwell Assets"), the entire issued capital of which was evenly owned by Ms. Lin and her sister, Ms. Lin Shu Chi. Ms. Lin was also one of the directors of Upwell Assets. Ms. Lin was deemed to be interested in all the Shares in which Upwell Assets was interested by virtue of the SFO.

6. The long position of Ms. Lin in these 100,000 Shares comprised the 100,000 options granted to her by the Company under the share option scheme on 19 January 2017.

7. The long position of Mr. Han in these 1,500,000 Shares comprised the 1,500,000 options granted to him by the Company under the share option scheme on 19 January 2017.

8. Ms. Chang was regarded as interested in all the Shares held by Active Star, of which Ms. Chang is a director and the entire issued share capital of was held by Mr. Chiang, her spouse.

9. The long position of Ms. Chang in these 1,637,390 Shares comprised the 743,043 Shares and 894,347 Shares beneficially owned by her and her spouse, Mr. Chiang, respectively. Ms. Chang was regarded as interested in all the Shares in which Mr. Chiang was interested by virtue of the SFO.

10. The long position of Ms. Chang in these 4,200,000 Shares comprised 1,800,000 options and 2,400,000 options granted to her and her spouse, Mr. Chiang, respectively by the Company under the share option scheme on 19 January 2017. Ms. Chang was regarded as interested in all the Shares in which Mr. Chiang was interested by virtue of the SFO.

11. The long position of Mr. Cui in these 200,000 Shares represented 200,000 options granted to him by the Company under the share option scheme on 19 January 2017.

12. These percentages are calculated on the basis of 252,983,390 Shares of the Company in issue as at 31 December 2020, assuming that all the outstanding options granted under the share option schemes had been exercised as at that date.

Save as disclosed above, as at 31 December 2020, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which had been notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2020, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number and class of securities (Note 1)	Approximate percentage of shareholding
Active Star	Beneficial owner (Note 2)	89,659,979 Ordinary Shares (L)	36.42%
Upwell Assets	Beneficial owner (Note 3)	43,722,460 Ordinary Shares (L)	17.76%
Ms. Lin Shu Chi	Interest of a controlled corporation (Note 3)	43,722,460 Ordinary Shares (L)	17.76%
Honorway Nominees Limited ("Honorway Nominees")	Beneficial owner (Note 4)	19,528,103 Ordinary Shares (L)	7.93%
Honorway Investments Limited	Interest of a controlled corporation (Note 4)	19,528,103 Ordinary Shares (L)	7.93%
Mr. Ho Hau Chong, Norman	Interest of a controlled corporation (Note 4)	19,528,103 Ordinary Shares (L)	7.93%
Ms. Yvette Therese Ma	Interest of spouse (Note 5)	19,528,103 Ordinary Shares (L)	7.93%
Mr. Ho Hau Hay, Hamilton	Interest of a controlled corporation (Note 4)	19,528,103 Ordinary Shares (L)	7.93%
Ms. Sharon Young	Interest of spouse (Note 6)	19,528,103 Ordinary Shares (L)	7.93%

Notes:

1. The letter "L" denotes the shareholders' long position in the Shares or underlying Shares of the Company.

2. These Shares were registered in the name of Active Star, the entire issued share capital of which was owned by Mr. Chiang and of which Mr. Chiang and Ms. Chang are the directors. Mr. Chiang and Ms. Chang were therefore deemed to be interested in all the Shares in which Active Star was interested by virtue of the SFO.

3. These Shares were registered in the name of Upwell Assets, the entire issued share capital of which was evenly owned by Ms. Lin Shu Chi and Ms. Lin, a non-executive Director. Ms. Lin Shu Chi was deemed to be interested in all the Shares in which Upwell Assets was interested by virtue of the SFO.

4. These Shares were registered in the name of Honorway Nominees, which was controlled by Honorway Investments Limited, which was in turn controlled by Mr. Ho Hau Chong, Norman and his brother, Mr. Ho Hau Hay, Hamilton. Mr. Ho Hau Chong, Norman, Mr. Ho Hau Hay, Hamilton and Honorway Investments Limited were deemed to be interested in all the Shares in which Honorway Nominees was interested by virtue of the SFO.

5. Ms. Yvette Therese Ma was deemed to be interested in all the Shares in which Mr. Ho Hau Chong, Norman, her spouse, was interested by virtue of the SFO.

6. Ms. Sharon Young was deemed to be interested in all the Shares in which Mr. Ho Hau Hay, Hamilton, her spouse, was interested by virtue of the SFO.

Save as disclosed above, as at 31 December 2020, no person (other than a Director or chief executive of the Company), had registered an interest or short position in the Shares or underlying Shares of the Company that was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEMES

A post-IPO share option scheme ("Share Option Scheme") was also adopted pursuant to the resolutions passed by all Shareholders on 17 June 2016. The purpose of the Share Option Scheme is to enable the Group to grant share options to selected participants as incentives or rewards for their contribution to the Group. The Share Option Scheme will remain in force for a period of 10 years commencing from 17 June 2016.

Eligible participants of the Share Option Scheme include, among others, the Group's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, persons that provide research, development or other technological support to the Group, shareholders of the Group and the advisers or consultants of the Group.

Details of the movements in the Company's outstanding share options granted under the Share Option Scheme for the year ended 31 December 2020 were as follows:

Category of participant	Number of shares in respect of share options: Outstanding as at 1 January 2020	Exercised during the period	Cancelled or lapsed during the period	Outstanding as at 31 December 2020	Date of grant (Note)	Exercise period	Exercise price per Share HK$	Closing price of the Shares on the trading day immediately before the date of grant HK$
Directors:								
Chiang Chen Feng	1,200,000	–	–	1,200,000	19/1/2017	19/01/2018 to 18/01/2027	1.130	1.08
	1,200,000	–	–	1,200,000	19/1/2017	19/01/2019 to 18/01/2027	1.130	1.08
	2,400,000	–	–	2,400,000				
Chang Hsiu Hua	900,000	–	–	900,000	19/1/2017	19/01/2018 to 18/01/2027	1.130	1.08
	900,000	–	–	900,000	19/1/2017	19/01/2019 to 18/01/2027	1.130	1.08
	1,800,000	–	–	1,800,000				
Han Lin	750,000	–	–	750,000	19/1/2017	19/01/2018 to 18/01/2027	1.130	1.08
	750,000	–	–	750,000	19/1/2017	19/01/2019 to 18/01/2027	1.130	1.08
	1,500,000	–	–	1,500,000				
Lin Chien Ju	100,000	–	–	100,000	19/1/2017	19/01/2019 to 18/01/2027	1.130	1.08
	100,000	–	–	100,000				
Cui Shi Wei	100,000	–	–	100,000	19/1/2017	19/01/2018 to 18/01/2027	1.130	1.08
	100,000	–	–	100,000	19/1/2017	19/01/2019 to 18/01/2027	1.130	1.08
	200,000	–	–	200,000				
Employees:								
In aggregate	50,000	–	–	50,000	19/1/2017	19/01/2018 to 18/01/2027	1.130	1.08
	850,000	–	(100,000)	750,000	19/1/2017	19/01/2019 to 18/01/2027	1.130	1.08
	900,000	–	(100,000)	800,000				
Total	6,900,000	–	(100,000)	6,800,000				

Note: The vesting period of the share options is from the date of grant until the commencement of the exercise period.

The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme of the Group must not in aggregate exceed 30% of the Shares in issue from time to time (i.e. 73,855,017 Shares as at the date of this report) (the "Overriding Limit"). No further options may be granted under the Share Option Scheme if this will result in the Overriding Limit being exceeded.

Subject to the Overriding Limit, the total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue (i) at the time dealings in the Shares first commenced on the Stock Exchange or (ii) on the date on which such 10% limit is refreshed or further refreshed pursuant to the rules of the Share Option Scheme (the "General Scheme Limit"). Options previously granted under the Share Option Scheme or any other share option scheme of the Group (including those outstanding, cancelled, lapsed in accordance with the scheme or exercised options) will not be counted for the purpose of calculating the limit as "refreshed". On 17 June 2011, an ordinary resolution was passed by the Shareholders at general meeting for the refreshment of the General Scheme Limit to 20,047,000 Shares, representing 10% of the Shares in issue as at the date of the aforesaid Shareholders' approval.

The maximum number of Shares issuable under the options which may be granted to each eligible participant in the share option scheme within any 12-month period is limited to 1% of the Shares in issue at any time. Any further grant of options in excess of this limit is subject to Shareholders' approval in a general meeting.

Options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any options granted to a substantial shareholder or an independent non-executive Director, or to any of their associates, in excess of 0.1% of the Shares in issue at any time and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK$5 million within any 12-month period are subject to Shareholders' approval in advance in a general meeting.

The offer of a grant of options may be accepted within 21 days from the date of offer of grant of the option, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the options granted is determinable by the Directors, which period may commence from the date on which the offer for grant of the options is made, and shall end in any event not later than 10 years from the date on which the offer for the grant of the options is made subject to the provisions for early termination thereof. There is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The exercise price of the options is determinable by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as quoted on the Stock Exchange's daily quotation sheets on the date of the offer for grant of the options; and (ii) the average closing price of the Shares as quoted on the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer for grant of the options; and (iii) the nominal value of the Shares.

As at the date of this report, the total number of Shares available for allotment and issue pursuant to the exercise of options granted under the Share Option Scheme is 6,800,000 Shares, representing approximately 2.76% of the issued share capital of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

During the year under review, no rights to acquire benefits by means of the acquisition of debentures of the Company were granted to any Directors nor exercised by any of them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

PERMITTED INDEMNITY PROVISION

The service agreements entered into by the Company with each of the executive Directors, which are currently in force and were in force during the year ended 31 December 2020, contain permitted indemnity provisions for the benefit of the executive Directors.

Under the Articles of Association, the Company had a permitted indemnity provision (as defined in section 469 of the Companies Ordinance) in force for the benefit of the Directors throughout the year under review and as at the date of this report, pursuant to which every Director shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

In addition, the Company has also taken out and maintained directors' liability insurance during the year which provides appropriate cover for the Directors and directors of the subsidiaries of the Company.

During the year ended 31 December 2020, no claims were made against the Directors.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities during the year under review.

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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's largest customer and five largest customers accounted for approximately 41.2% and 71.7% of the Group's total revenue for the year respectively.

The aggregate purchase attributable to the Group's largest supplier and five largest suppliers accounted for approximately 22.2% and 47.1% of the Group's total purchases of the year respectively.

None of the Directors or any of their associates or any shareholder (which, to the best knowledge of the Directors, owned more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and five largest suppliers.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has maintained a sufficient public float as required under the Listing Rules.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by Confucius International CPA Limited who will retire at the conclusion of the forthcoming 2021 AGM. A resolution will be proposed at the forthcoming 2021 AGM to re-appoint Confucius International CPA Limited as auditor of the Company for the year ending 31 December 2021.

BDO Limited ("BDO") has resigned as the auditor of the Company with effect from 12 July 2019, as the Company and BDO could not reach a consensus on the audit fee for the financial year ended 31 December 2019. There were no matters in connection with the resignation of BDO or disagreement between BDO and the Company that need to be brought to the attention of the shareholders of the Company. For details of the change of auditor, please refer to the Company's announcement dated 15 July 2019.

On behalf of the Board
Fortune Sun (China) Holdings Limited

Mr. Chiang Chen Feng
Chairman

Hong Kong, 31 March 2021

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 report.

BOARD OF DIRECTORS

Board composition

The Group is led by and controlled through the Board, which currently consists of three executive Directors, namely Mr. Chiang Chen Feng, Ms. Chang Hsiu Hua and Mr. Han Lin, a non-executive Director, namely Ms. Lin Chien Ju, and three independent non-executive Directors, namely Mr. Chow Yiu Ming, Mr. Cui Shi Wei and Mr. Lam Chun Choi. Mr. Chiang Chen Feng is the chairman of the Board. Their biographical details are set out on pages 6 to 8 of this report.

Save for the spousal relationship between Mr. Chiang Chen Feng and Ms. Chang Hsiu Hua, both being executive Directors, there is no other family relationship between any of the Directors, nor is there any financial, business or other material or relevant relationships among the members of the Board.

All Directors including the non-executive Directors, are subject to retirement by rotation at annual general meetings of the Company at least once every three years pursuant to article 108(A) of the Articles of Association. During the year under review, Mr. Han Lin, Ms. Chang Hsiu Hua and Ms. Lin Chien Yu retired by rotation and were re-elected as Directors at the annual general meeting of the Company held on 12 June 2020.

Board's responsibilities and delegation

Members of the Board are individually and collectively accountable to the Shareholders for the sustainable development of the Company. The Board oversees the overall management and operations of the Group. Major responsibilities of the Board include approving the Group's overall business, financial and technical strategies, setting key performance targets, approving financial budgets and major expenditures, formulating and approving internal control and risk management systems and supervising and scrutinizing the performance of the management. The Directors have to make decisions objectively in the interests of the Company. All Board members have separate and independent access to the senior management, and are provided with timely information about the conduct of the business and development of the Company, including monthly reports and recommendations on significant matters to enable them to discharge their duties.

The executive Directors and senior management are responsible for implementation of the strategies and business direction adopted by the Board from time to time and supervision of the day-to-day operations of the Group. The executive Directors and senior management meet regularly to review the business performance of the Group as a whole and make financial and operational decisions.

Non-executive Directors

The non-executive Directors (including the independent non-executive Directors) have been appointed by the Company for a term of one year commencing from 10 June 2006, 19 September 2017 or 21 June 2019 renewable automatically for successive terms of one year commencing from the day next after the expiry of the then current term of appointment until terminated by not less than 3 months' notice in writing served by either the Company or the respective Director to the other.

All the independent non-executive Directors have confirmed in writing to the Company that they have met all the guidelines for assessing their independence as set out in Rule 3.13 of the Listing Rules. Notwithstanding that certain of the independent non-executive Directors have served on the Board for more than ten years, in view that they have demonstrated the attributes as independent non-executive Directors during their tenure in office and taking into account their written confirmation of independence as regards Rule 3.13 of the Listing Rules, the Company considers that all the independent non-executive Directors to be independent and believes that their continued service as independent non-executive Directors will be beneficial to the Company and the Shareholders.

BOARD MEETINGS AND ATTENDANCE

It is intended that the Board should meet regularly for at least four times a year, i.e. at approximately quarterly intervals. Additional meetings of the Board will be convened as and when required. Pursuant to article 133 of the Articles of Association, the Directors may participate in a Board or Board committee meeting either in person or through electronic means of communications. During the year ended 31 December 2020, the Board convened a total of four Board meetings (exclusive of meetings of Board committees constituted by the Board). The individual attendance record of the Directors at board meetings is tabulated as follows:

Name of Directors	Attendance/ Number of meetings
Executive Directors	
Mr. Chiang Chen Feng *(Chairman)*	4/4
Ms. Chang Hsiu Hua	4/4
Mr. Han Lin	4/4
Non-executive Director	
Ms. Lin Chien Ju	4/4
Independent non-executive Directors	
Mr. Cui Shi Wei	4/4
Mr. Lam Chun Choi	4/4
Mr. Chow Yiu Ming	4/4

COMMITTEES OF THE BOARD

The Board has established the Executive Committee, the Nomination Committee, the Audit Committee and the Remuneration Committee (as defined below) for overseeing different aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties and may seek independent professional advice in appropriate circumstances, at the Company's expense. The terms of reference of the Nomination Committee, the Audit Committee and the Remuneration Committee are published on the Company's website (www.fortune-sun.com) and the Stock Exchange's website (www.hkexnews.hk).

Details of the membership, roles and functions of these Board committees are set out below.

EXECUTIVE COMMITTEE

The Board has established an executive committee (the "Executive Committee") with written terms of reference on 12 January 2007. It consists of all of the executive Directors, namely, Mr. Chiang Chen Feng, Ms. Chang Hsiu Hua and Mr. Han Lin. Mr. Chiang Chen Feng is the chairman of the Executive Committee.

The Executive Committee meets as and when required to review and approve, inter alia, any matters concerning implementation of strategies, policies and procedures approved by the Board, and the day-to-day operations and management of the Group, and has all the general powers of the Board except those matters specifically reserved for the Board. The Executive Committee did not convene any meeting during the year ended 31 December 2020.

NOMINATION COMMITTEE

The Board has set up a nomination committee (the "Nomination Committee") on 10 June 2006. The written terms of reference of the Nomination Committee have been published on the websites of the Company and the Stock Exchange. The Nomination Committee currently consists of one executive Director, namely, Mr. Chiang Chen Feng and two independent non-executive Directors, namely, Mr. Chow Yiu Ming and Mr. Lam Chun Choi. Mr. Chiang Chen Feng is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to make recommendations to the Board in respect of composition of the Board and its committees and policy and procedures of nomination and determination of new appointment and re-appointment of Directors, to monitor the implementation of the Board diversity policy and to ensure the effectiveness of the policy and to assess the independence of the independent non-executive Directors. The Board has adopted written policy for the nomination of new director. In evaluating and selecting any candidate for directorship, the criteria to be taken into account when considering the suitability of a candidate shall include his reputation for integrity and standing, his ability to devote sufficient time and attention to the affairs of the Company, and contribution to the board diversity policy of the Company as well as the effective carrying out by the Board of its responsibilities. Pursuant to the Board Diversity Policy adopted by the Company, when reviewing the composition of the Board and considering the nomination of new Directors, the Nomination Committee will take into account the qualification, ability, working experience, leadership, cultural and educational background, race, gender, age and professional ethics of potential candidates and also business needs of the Company.

With reference to the business needs of the Group, the following measurable objectives have been set for implementing the Board Diversity Policy of the Company: (a) a prescribed proportion of Board members shall be non-executive Directors or independent non-executive Directors; (b) a prescribed proportion of Board members shall have attained bachelor's degree or above; (c) a prescribed proportion of Board members shall have obtained accounting or other professional qualifications; (d) a prescribed proportion of Board members shall have more than seven years of experience in the industry he is specialized in; and (e) a prescribed proportion of Board members shall have China-related work experience. Based on the review by the Nomination Committee, the Nomination Committee considers that the Company has achieved the measurable objectives set for implementing the Board diversity policy of the Company for the year under review. For further details of the Company's Board Diversity Policy, please refer to the paragraph headed "Board Diversity Policy" in this report.

During the year ended 31 December 2020, the Nomination Committee convened one meeting to review the policy and procedures for nomination of Directors; to review the process and criteria adopted to select and recommend candidates for directorship; to review the terms of reference; to review the independence of independent non-executive Directors, and to review the board diversity policy. The individual attendance record of each member of the Nomination Committee is tabulated as follows:

Name of Members	Attendance/ Number of meeting
Mr. Chiang Chen Feng *(Chairman)*	1/1
Mr. Lam Chun Choi	1/1
Mr. Chow Yiu Ming	1/1

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference on 10 June 2006. The written terms of reference have been published on the websites of the Company and the Stock Exchange. The Audit Committee consists of three independent non-executive Directors, namely Mr. Chow Yiu Ming, Mr. Cui Shi Wei and Mr. Lam Chun Choi. Mr. Chow Yiu Ming is the chairman of the Audit Committee.

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. The individual attendance record of each member of the Audit Committee is tabulated as follows:

Name of Members	Attendance/ Number of meetings
Mr. Cui Shi Wei	3/3
Mr. Lam Chun Choi	3/3
Mr. Chow Yiu Ming	3/3

REMUNERATION COMMITTEE

The Board has established a remuneration committee (the "Remuneration Committee") with written terms of reference on 10 June 2006. The written terms of reference have been published on the websites of the Company and the Stock Exchange. The Remuneration Committee consists of three independent non-executive Directors, namely Mr. Chow Yiu Ming, Mr. Cui Shi Wei and Mr. Lam Chun Choi. Mr. Cui Shi Wei is the chairman of the Remuneration Committee.

The primary duty of the Remuneration Committee is to make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to individual executive Directors and senior management.

During the year ended 31 December 2020, the Remuneration Committee had reviewed and approved the payment of bonus to senior management and staff of the Group for the financial year ended 31 December 2020. The Remuneration Committee had also given recommendations to the Board in respect of emolument payable to the Directors, the emolument policy and long-term incentive schemes of the Group. During the year ended 31 December 2020, one meeting of the Remuneration Committee was held. The individual attendance record of each member of the Remuneration Committee is tabulated as follows:

Name of Members	Attendance/ Number of meeting
Mr. Cui Shi Wei *(Chairman)*	1/1
Mr. Lam Chun Choi	1/1
Mr. Chow Yiu Ming	1/1

BOARD DIVERSITY POLICY

The Company has a Board Diversity Policy whereby it recognizes and embraces the benefits of a diversity of Board members. It endeavors to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge.

During the Year and as at the date of this report, the Board comprises seven Directors, two of which are female. The following tables further illustrate the diversity of the Board members as of the date of this report:

	Age Group			Ethnicity
Name of Director	40 to 49	50 to 59	Above 60	Chinese
Mr. Chiang Chen Feng		✓		✓(Taiwan)
Ms. Chang Hsiu Hua		✓		✓(Taiwan)
Mr. Han Lin		✓		✓
Ms. Lin Chien Ju	✓			✓(Taiwan)
Mr. Cui Shi Wei			✓	✓
Mr. Lam Chun Choi		✓		✓(Hong Kong Resident)
Mr. Chow Yiu Ming	✓			✓(Hong Kong Resident)

	Educational Background				Professional Experience		
Name of Director	Business Management/ Business Administration	Law	Accountancy	Others	Property Agency	Law	Auditing and Finance
Mr. Chiang Chen Feng	✓				✓		
Ms. Chang Hsiu Hua			✓		✓		
Mr. Han Lin				✓	✓		
Ms. Lin Chien Ju	✓				✓		
Mr. Cui Shi Wei		✓			✓	✓	
Mr. Lam Chun Choi		✓				✓	
Mr. Chow Yiu Ming			✓				✓

CORPORATE GOVERNANCE FUNCTIONS

During the year under review, the Board determined the policy for the corporate governance of the Company. The Board has performed the corporate governance duties including: (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and (e) to review the Company's compliance with the CG Code and disclosure in this corporate governance report.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

During the year under review, the Directors are provided with monthly updates on the Company's performance and position to enable the Board as a whole and each Director to discharge their duties. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time and time, to ensure compliance by the Directors and to enhance the Directors' awareness of good corporate governance practices.

According to the records provided by the Directors, a summary of the trainings received by Directors during the year under review is as follows:

Name of Directors	Type of continuous professional development
Executive Directors	
Mr. Chiang Chen Feng *(Chairman)*	A
Ms. Chang Hsiu Hua	A
Mr. Han Lin	A
Non-executive Director	
Ms. Lin Chien Ju	A
Independent non-executive Directors	
Mr. Cui Shi Wei	A
Mr. Lam Chun Choi	A, B
Mr. Chow Yiu Ming	A, B

Notes:

A: attending briefing sessions and/or seminars relating to matters in financial, legal and corporate governance

B: reading seminar materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements

ACCOUNTABILITY AND AUDITOR'S REMUNERATION

The Board is responsible for preparing the accounts of the Company, which give a true and fair view of the financial position of the Group on a going concern basis. It is also responsible for presenting a balanced, clear and understandable assessment of the Group's annual and interim reports, other price-sensitive announcements and other financial disclosures as required under the Listing Rules. The management provides all relevant information and records to the Board which enables it to prepare the accounts and to make the above assessments.

For the year ended 31 December 2020, the remuneration payable/paid to Confucius International CPA Limited, the external auditor of the Company, is set out as follows:

Services rendered	Fees payable/paid RMB'000
Audit services	400

DIRECTORS' AND AUDITOR'S ACKNOWLEDGEMENT

The Directors acknowledge their responsibility for preparing the accounts for the year under review.

The external auditor of the Company acknowledges its reporting responsibilities in the independent auditor's report on the consolidated financial statements for the year under review.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the Group's risk management and internal control systems and reviewing their effectiveness, while the management and other personnel are responsible for implementing and maintaining the internal controls systems that covers governance, compliance, risk management, financial and operational controls to safeguard the Group's assets and stakeholders' interests. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute assurance against material misstatement or loss.

During the year under review, to identify, evaluate and manage significant risks, the risk management and internal control systems of the Group included the following main features:

- reviewing the organizational objectives;
- assessing the risk management philosophy to determine the risk tolerance level of the Group; and
- performing an entity-level risk assessment.

The Group adopted the standards set out in the Model Code and received confirmations from all Directors that they have complied with the Model Code throughout the year under review.

In relation to the procedures and internal controls of the Group for the handling and dissemination of inside information during the year under review, employees or Directors possessing such inside information should report the same to the Executive Director, who will in turn report to the Board. The Board will then discuss and handle the relevant disclosures or dissemination of inside information accordingly.

A. Risk management and internal control systems review:

To review the effectiveness of the risk management and internal control systems of the Group and to resolve (if any) material internal control defects of the Group for the year under review, the Company adopted a COSO ERM – Integrated Framework (2004) which is issued by the Committee of Sponsoring Organizations ("COSO") of The Treadway Commission to perform the risk assessment (the "Review") on the Group. The Review was designed to enhance the risk management of the Group through a holistic and integrated framework so that all material risks faced by the Group could be identified and appropriately managed. In addition, the Group aims to:

(i) promote consistent risk identification, measurement, reporting and mitigation;

(ii) set a common risk language to avoid any conflicting terminology or confusion in risk reporting;

(iii) develop and communicate policies on risk management and controls aligned with the business strategy; and

(iv) enhance reporting to provide transparency of risks across the Group.

During the Review, the Company conducted the following procedures:

— interviewing with department heads and management to identify the risks over the Company business units;

— quantifying the risks by financial data and market searches; and

— prioritizing the identified risks as high, medium and low risk.

The Company will perform the ongoing assessment to update the entity-level risk factors and report to the Board on a regular basis.

B. Group risk report:

In 2020, the Company conducted an annual Group-wide review based on the Group's ERM Framework to assess the risks relevant to the existing businesses of the Group. The Group Risk Report for 2020 was compiled to cover: (i) the top risks of the Group; and (ii) associated action plans and controls designed to mitigate the top risks, where applicable, at appropriate levels.

C. Internal audit function

During the year under review, the Company had appointed an internal control advisor (the "IC Advisor") to perform internal audit function for the Group. The IC Advisor reported to the Audit Committee and to the Company's management. Based on the Company's risk assessment results, the IC Advisor recommended a three-year internal audit plan to the management which was endorsed by the Board and the Audit Committee. The IC Advisor conducted its internal audit review activities according to the endorsed internal audit plan during the year under review. The IC Advisor reported the internal audit findings and recommendations to both the Audit Committee and the management of the Group. The management of the Group agreed on the internal audit findings and adopted the recommendations by the IC Advisor accordingly.

D. Management's confirmation on risk management

Based on the risk management mechanism and internal audit review activities mentioned in the aforementioned paragraphs, the management of the Group had provided a confirmation to the Board that the Group had maintained an effective risk management mechanism and internal control system during the year under review.

COMPANY SECRETARY

Mr. Lui Cheuk Wah has been appointed as company secretary of the Company since 13 April 2018. Mr. Lui has confirmed that for the year under review, he has taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

Pursuant to article 64 of the Articles of Association, extraordinary general meetings of the Company may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

Shareholders' enquiries to the Board

To ensure effective communication between the Board and the Shareholders, the Company has adopted a shareholder's communication policy (the "Policy") on 28 March 2012. Under the Policy, the Company's information shall be communicated to the Shareholders mainly through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by its corporate communication and corporate publications on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.fortune-sun.com).

Shareholders may at any time put enquiries to the Board. Any such questions shall be directed to the company secretary of the Company by the means set out below:

Address:	16th Floor, Tower 5, The Gateway, Harbour City, 21 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Hotline:	(852) 2893 7866
Fax:	(852) 2893 7177
Email:	info@fortune-sun.com

The company secretary of the Company shall, where appropriate, forward the Shareholders' enquiries and concerns to the Board and/or relevant board committees of the Company for their proper attention.

Putting forward proposals at Shareholders' meeting

(i) To propose a person for election as a Director

Pursuant to article 113 of the Articles of Association, a Shareholder of the Company who wishes to propose a person other than a Director for election as a Director at a general meeting (the "Proposal") should lodge, at least seven clear days before the date of the general meeting, at the head office of the Company, i.e. Units 901, 9th Floor, Orient Building, No. 1500 Century Avenue, Pudong New District, Shanghai 200122, the PRC, (i) a written notice setting out the Proposal; and (ii) a written notice signed by the person to be proposed of his willingness to be elected. The procedures for shareholders to propose a person for election as a director is available on the Company's website (www.fortune-sun.com).

(ii) Other proposals

If a Shareholder wishes to make other proposals at a general meeting, he may lodge a written request, duly signed, at the Company's principal place of business in Hong Kong at 16th Floor, Tower 5, The Gateway, Harbour City, 21 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong marked for the attention of the company secretary of the Company.

Change in constitutional documents

During the year under review, there was no change in the Company's memorandum and articles of association.

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

The Company endeavours to enhance investor relations and communications by setting up meetings with the investment community where appropriate. The Company also endeavours to respond to requests for information and queries from the investment community through the attendance by the executive Directors and designated senior management. In all cases great care is taken to ensure that no inside information is disclosed inadvertently or selectively. The Board is committed to providing clear and full information of the Company to Shareholders through the Group's interim and annual reports, circulars, announcements, notices, and other corporate communications to Shareholders as and when appropriate.

The Company's annual general meeting provides a good opportunity for communications between the Board and its Shareholders. Shareholders are encouraged to attend the annual general meeting. Notice of the annual general meeting and related papers are sent to Shareholders in the manner prescribed under the Articles of Association and the Listing Rules and such notice is also published on the Stock Exchange's website (www.hkexnews.hk) and the Investor Relations Section of our Company's website (www.fortune-sun.com). The chairman of the meeting and the attending Directors will answer questions on the Company's business and operations at the annual general meeting. The external auditor of the Company will also attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and its independence.

The 2020 annual general meeting was held on 12 June 2020. The individual attendance record of the Directors at the meeting is tabulated as follows:

Name of Directors	Attendance/ Number of meetings
Executive Directors	
Mr. Chiang Chen Feng *(Chairman)*	1/1
Ms. Chang Hsiu Hua	1/1
Mr. Han Lin	1/1
Non-executive Director	
Ms. Lin Chien Ju	1/1
Independent non-executive Directors	
Mr. Cui Shi Wei	1/1
Mr. Lam Chun Choi	1/1
Mr. Chow Yiu Ming	1/1

Pursuant to article 72 of the Articles of Association and the Listing Rules, any vote of Shareholders at a general meeting of the Company must be taken by poll except where the chairman of the general meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Details of the procedures for conducting a poll will be explained during the proceedings of the general meeting.

Poll results will be published on both the Stock Exchange's website (www.hkexnews.hk) and the Investor Relations Section of our Company's website (www.fortune-sun.com) following any shareholders' meeting.

天健國際會計師事務所有限公司
PAN-CHINA Confucius International CPA Limited Certified Public Accountants

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TO THE MEMBERS OF FORTUNE SUN (CHINA) HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Fortune Sun (China) Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 72 to 134, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables and trade deposits (Refer to notes 22 and 23 to the consolidated financial statements) Trade receivables and trade deposits in total represented approximately 32% of the Group's total assets as at 31 December 2020 and were therefore significant to the consolidated financial statements. Provision is made for lifetime expected credit losses on trade receivables and trade deposits. Management applied judgement in assessing the expected credit losses. Trade receivables and trade deposits have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss rates are determined based on historical credit losses experienced from the past 3 years and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables. Trade receivables and trade deposits relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. The impairment assessment of trade receivables and trade deposits require the application of judgement by management in determining their recoverability having regard to the current creditworthiness and past collection history of the Group's customers.	Our procedures in relation to management's impairment assessment included: • Obtaining an understanding of and assessing the design and implementation of management's key internal controls relating to estimation of expected credit losses; • Assessing, on a sample basis, whether items in the trade debtors' ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with underlying documentation; • Discussing with management about the recoverability of amounts that were past due at the reporting date; • Obtaining an understanding of the key parameters, inputs and assumptions of the expected credit loss model adopted by management, including historical default data and estimated loss rates; • Assessing the reasonableness of management's loss allowance estimates by examining the information used by management, including historical settlement pattern, default data, past due status and likely outcome of litigation against customers for overdue amounts, any post-year-end payments received up to the date of completing our audit procedures, current market conditions and forward-looking information; and • Re-performing the calculation of the loss allowance based on the Group's credit loss allowance policies. We found that the management's impairment assessment were supportable by credible evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of investment properties (Refer to note 20 to the consolidated financial statements) Investment properties represented approximately 26% of the Group's total assets as at 31 December 2020 and impairment assessment of investment properties involved the use of significant judgements and estimates. Accordingly, we have identified impairment assessment of investment properties as a key audit matter. The management has determined the recoverable amounts of investment properties based on the fair value from independent valuation. The valuation is dependent on key assumptions that require significant management judgement including a fair comparison of market price. The management has concluded that the recoverable amounts were higher than their carrying amounts and no impairment provision was provided.	Our procedures in relation to management's impairment assessment included: • Obtaining and understanding of the management's key internal controls over the impairment assessment of investment properties; • Evaluating the valuers' competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumptions adopted; • Assessing the reasonableness of resale price estimated by the external valuer based on the recent transaction prices; • Discussing the valuations with the valuer and challenging key estimates adopted in the valuation, including those relating to market selling prices, by comparing them with available market data and taking into consideration comparability and other local market factors. We found that the management's impairment assessment were supportable by credible evidence.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors of the Company ("Directors") are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the Directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Confucius International CPA Limited
Certified Public Accountants

Chan Lap Chi
Practising Certificate Number: P04084

Hong Kong
31 March 2021

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	7	**26,805**	14,371
Cost of sales		**(16,058)**	(14,540)
Gross profit/(loss)		**10,747**	(169)
Investment income and other gains and losses, net	8	**1,642**	1,503
Operating and administrative expenses		**(12,320)**	(18,004)
Finance cost	9	**(11)**	(33)
Profit/(loss) before tax		**58**	(16,703)
Income tax expense	11	**–**	–
Profit/(loss) for the year	12	**58**	(16,703)
Profit/(loss) for the year attributable to:			
Owners of the Company		**58**	(12,432)
Non-controlling interests		**–**	(4,271)
		58	(16,703)
		RMB cents	RMB cents
Earnings/(loss) per share	17		
— Basic		**0.02**	(5.05)
— Diluted		**0.02**	(5.05)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

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

Consolidated Statement of Financial Position

As 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	18	**1,043**	1,247
Right-of-use assets	19	**86**	555
Investment properties	20	**12,681**	3,146
Golf club membership		**291**	291
		14,101	5,239
Current assets			
Trade receivables	22	**15,217**	11,443
Trade deposits	23	**300**	500
Prepayments and other deposits		**1,467**	1,449
Other receivables		**697**	1,109
Fixed bank deposits	24	**9,787**	17,911
Bank and cash balances	24	**6,509**	10,528
		33,977	42,940
Current liabilities			
Accruals and other payables	25	**5,668**	8,080
Lease liabilities	26	**90**	475
		5,758	8,555
Net current assets		**28,219**	34,385
Total assets less current liabilities		**42,320**	39,624
Non-current liabilities			
Lease liabilities	26	**–**	90
Loan from a related company	32(b)	**5,000**	–
		5,000	90
Net assets		**37,320**	39,534

Consolidated Statement of Financial Position

As 31 December 2020

	Note	**2020 RMB'000**	2019 RMB'000
Capital and reserves			
Share capital	28	**24,394**	24,394
Reserves		**12,926**	13,084
Equity attributable to owners of the Company		**37,320**	37,478
Non-controlling interests		**–**	2,056
Total equity		**37,320**	39,534

The consolidated financial statements on pages 72 to 134 were approved and authorised for issue by the Board of Directors on 31 March 2021 and signed on its behalf by:

Chang Hsiu Hua
Director

Han Lin
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital RMB'000	Share premium RMB'000 (note 30(b)(i))	Merger reserve RMB'000 (note a)	Reserve fund RMB'000 (note b)	Share-based payment reserve RMB'000 (note 30(b)(ii))	Foreign currency translation reserve RMB'000 (note 30(b)(iii))	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	24,394	69,619	14,554	16,621	4,355	(2,058)	(77,759)	49,726	4,429	54,155
Total comprehensive income/(expense) for the year	–	–	–	–	–	125	(12,432)	(12,307)	(4,271)	(16,578)
Lapsed of share options	–	–	–	–	(127)	–	127	–	–	–
Recognition of equity-settled share-based payments transactions	–	–	–	–	59	–	–	59	–	59
Injection from non-controlling interests	–	–	–	–	–	–	–	–	1,898	1,898
Changes in equity for the year	–	–	–	–	(68)	125	(12,305)	(12,248)	(2,373)	(14,621)
At 31 December 2019	24,394	69,619	14,554	16,621	4,287	(1,933)	(90,064)	37,478	2,056	39,534
At 1 January 2020	**24,394**	**69,619**	**14,554**	**16,621**	**4,287**	**(1,933)**	**(90,064)**	**37,478**	**2,056**	**39,534**
Total comprehensive income/(expense) for the year	**–**	**–**	**–**	**–**	**–**	**(216)**	**58**	**(158)**	**–**	**(158)**
Lapsed of share options	**–**	**–**	**–**	**–**	**(47)**	**–**	**47**	**–**	**–**	**–**
Acquisition of additional interests in a subsidiary (Note 21)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,056)**	**(2,056)**
Changes in equity for the year	**–**	**–**	**–**	**–**	**(47)**	**(216)**	**105**	**(158)**	**(2,056)**	**(2,214)**
At 31 December 2020	**24,394**	**69,619**	**14,554**	**16,621**	**4,240**	**(2,149)**	**(89,959)**	**37,320**	**–**	**37,320**

Note:

a. The merger reserve represents the difference between the nominal value of the share capital issued by the Company and the aggregate of share capital and share premium of Fortune Sun (China) Holdings Limited (Formerly known as Millstone Developments Limited) ("Millstone") acquired pursuant to the Group reorganisation in 2006.

b. The reserve fund is set up by way of appropriation from the profit after tax in accordance with the relevant laws and regulations in the People's Republic of China (the "PRC"). The rate of appropriation to the reserve fund is subject to the decision of the board of directors of the PRC subsidiaries, but the minimum appropriation rate is 10% of the profit after tax for each year, until the accumulated balance reaches 50% of its registered capital. Pursuant to the relevant laws and regulations of the PRC, if approvals are obtained from the relevant government authorities, the reserve fund can be used in setting off accumulated losses or to increase the capital of the subsidiaries.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES			
Profit/(loss) before tax		**58**	(16,703)
Adjustments for:			
Interest income		**(193)**	(472)
Depreciation of property, plant and equipment	18	**247**	259
Depreciation of right-of-use assets	19	**467**	765
Depreciation of investment properties	20	**120**	94
Equity-settled share-based payments		**–**	59
Finance cost	9	**11**	33
Gain on disposals and write-off of property, plant and equipment		**–**	(41)
Reversal of allowance for trade receivables, net		**(327)**	(466)
(Reversal of)/provision of allowance for other receivables, net		**(128)**	30
Recovery of judgement sum		**(1,461)**	–
Operating loss before working capital changes		**(1,206)**	(16,442)
(Increase)/decrease in trade receivables		**(5,835)**	3,127
Increase in trade deposits		**(300)**	–
Increase in prepayments and other deposits		**(18)**	(250)
(Increase)/decrease in other receivables		**(212)**	197
Decrease in accruals and other payables		**(3,609)**	(9,020)
Net cash used in operating activities		**(11,180)**	(22,388)
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**–**	62
Purchase of property, plant and equipment		**(45)**	–
Purchases of investment properties		**(4,284)**	–
Acquisition of additional interests in a subsidiary		**(1,129)**	–
Placement of fixed bank deposits		**8,124**	6,179
Interest received		**193**	378
Net cash flows generated from investing activities		**2,859**	6,619

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
FINANCING ACTIVITIES			
Capital injection from non-controlling interests		**–**	1,898
Loan from a related company raised		**5,000**	–
Repayment of lease liabilities		**(483)**	(788)
Net cash generated from financing activities		**4,517**	1,110
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(3,804)**	(14,659)
Effect of foreign exchange rate changes		**(215)**	182
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		**10,528**	25,005
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER		**6,509**	10,528
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Represented by:			
Bank and cash balances	24	**6,509**	10,528

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.

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

(a) Adoption of amendments to HKFRSs that became effective on 1 January 2020

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:

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 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[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

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

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention unless mentioned otherwise in the accounting policies below.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

Non-controlling interests represent the equity interest in a subsidiary not attributable directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statements of changes in equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling interests and owners for the Company.

In the Company's statement of financial position, the investment in subsidiaries are stated at cost less impairment loss.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group. The functional currency of the Company is Hong Kong dollars ("HKD"). The Directors consider that choosing RMB as the presentation currency best suits the needs of the shareholders and investors.

(ii) Transactions and balances in each entity's financial statement

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Foreign currency translation *(Continued)*

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to profit or loss as part of the gain or loss on disposal.

(c) Property, plant and equipment

Property, plant and equipment, held for supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment *(Continued)*

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over their estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Furniture and fixtures	3 to 5 years
Computers	3 to 5 years
Computer software	10 years
Leasehold improvements	Over their expected useful lives, or over the unexpired period of the lease, if shorter
Motor vehicles	5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(d) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at cost less accumulated depreciation and impairment losses. The depreciation is calculated using the straight-line method to allocate the cost to the residual value over its estimated useful life of 35 to 40 years or the lease term, if shorter.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leases *(Continued)*

The Group as a lessee *(Continued)*

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities (Continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review or a change in expected payment under a residual value guarantee, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease. Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income recognised in accordance with note 4 (k)(iv).

Allocation of consideration of a contract

When a contract contains lease and non-lease components, the Group applies HKFRS 15 to allocate the consideration in the contract to each component on a relative stand-alone selling price basis.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leases *(Continued)*

The Group as a lessor *(Continued)*

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modification, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

(f) Golf club membership

Golf club membership with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the golf club membership has suffered an impairment loss.

(g) Financial Instruments

(i) Financial assets at amortise cost

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Any gain on de-recognition is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial Instruments *(Continued)*

(ii) Impairment loss on financial assets at amortised cost

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables and financial assets measured at amortised cost. The ECL are measured on either of the following bases: (1) 12 months ECL: these are the ECL that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial asset. The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group and the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECL based on lifetime ECL. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance.

For other debt financial assets, the ECL are based on the 12-months ECL. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's business.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial Instruments *(Continued)*

(iii) Financial liabilities at amortised cost

Financial liabilities at amortised cost, including accruals and other payables are initially recognised at fair value, net of directly attributable transaction costs incurred and are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or has expired.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(i) Trade deposits

Trade deposits are required to be placed with property developers as security for the continuing performance of the Group under the relevant agency contracts. These deposits will be refunded when the Group is compliant with the prescribed terms in the underlying agency contracts.

The deposits can be forfeited if the Group fails to achieve the prescribed terms in some underlying agency contracts. At the end of each reporting period, an assessment of the performance of each property service assignment will be made. An impairment against the trade deposit will be made, on an individual basis, when the prescribed terms in the agency contracts are unlikely to be attained, within the timeframe specified in the underlying contracts, taking into consideration of current market conditions. This impairment is determined based on the present value of the estimated future cash flows that will be released when the Group is compliant with the prescribed terms in the agency contract and the deposit becomes refundable unconditionally.

(j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time. Control of the goods or services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

(i) Comprehensive property consultancy and sales agency services

Revenue is recognised at a point in time when the service is rendered and the property buyer has executed the sales and purchase agreement and made the required down payment according to the terms and conditions stated in agency agreements. There is generally only one performance obligation for property agency services.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Revenue recognition *(Continued)*

(ii) Pure property planning and consultancy service projects

Revenue is recognised over time, over the period of the agency contracts with reference to the progress towards complete satisfaction of that performance obligation. The relevant stages as stipulated in the contracts include the followings:

(i) Completion of a property development consultancy report on a project which includes a land search report, analysis of the investment return, feasibility study and/or advice on the project planning and design;

(ii) Completion of a marketing planning report on a project which includes advice on the market positioning of the relevant properties and/or representing the customer to undertake the project negotiation; and

(iii) Completion of a promotion planning report on a project which includes sales strategies, suggesting selling prices and plans for sales promotion for the relevant properties.

There is generally only one performance obligation.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Rental income

Rental income under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

(l) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognised as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(n) Share-based payments

The Group incurs equity-settled share-based payments expenses for options to subscribe the Company's shares issued to certain directors and employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Taxation

Income tax expense represents the sum of the current tax and deferred tax payable.

The tax currently payable is based on taxable profit for the year. Taxable profit or adjusted loss differs from profit or loss before tax recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly to equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(r) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Related parties

A person or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the Group and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Useful lives of property, plant and equipment and investment properties

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment and investment properties. These estimates are based on the historical experience of the actual useful lives and residual values of property, plant and equipment and investment properties of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment and investment properties as at 31 December 2020 were approximately RMB1,043,000 and RMB12,681,000 respectively (2019: RMB1,247,000 and RMB3,146,000 respectively).

(b) Allowance for trade receivables and other receivables

The Group makes allowance for trade receivables and other receivables based on assumptions about risk of default and expected loss rates (Note 6(b)). The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of a reporting period.

As at 31 December 2020, accumulated allowance for ECL of trade receivables and other receivables amounted to approximately RMB460,000 and RMBNil respectively (2019: RMB787,000 and RMB128,000 respectively).

(c) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has limited exposure to foreign currency risk as most of its business transactions, assets and liabilities, except for fixed bank deposits and bank and cash balances denominated in the United Stated Dollars ("USD"), are principally denominated in the functional currency of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2020, if the RMB had weakened or strengthened by 5% (2019: 5%) against the USD, with all other variables held constant, the consolidated profit after tax for the year would have been approximately RMB492,000 higher or lower (2019: loss after tax would have been approximately RMB914,000 lower or higher), arising mainly as a result of the foreign exchange difference on fixed bank deposits and bank and cash balances denominated in USD.

(b) Credit risk and impairment assessment

The Group's credit risk is primarily attributable to its trade receivables and trade deposits. The average credit period granted to customers for trade receivables is 90 days. The refund of trade deposits is in accordance with the terms of the underlying agency agreement. In order to minimise credit risk, the Directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts on a regular basis. In addition, the Directors review the recoverable amount of each individual trade debt and trade deposit regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has significant concentration of credit risk to its trade receivables and trade deposits as the Group's largest customer accounted for approximately 32% (2019: 21%) and five largest customers accounted for approximately 79% (2019: 84%) of the trade receivables and trade deposits at the end of reporting period.

Trade receivables and other financial assets at amortised cost are subject to the expected credit loss model.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk and impairment assessment *(Continued)*

Trade receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group measures expected credit losses on a combination of both individual and collective basis.

Measurement of expected credit loss

Receivables relating to customers with known financial difficulties or significant doubt on collection are assessed individually for the provision for an impairment allowance.

Expected credit losses are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for the likelihood of recovery, taking into account the nature of the customer, its geographical location and its ageing category, and applying the expected credit loss rates to the respective gross carrying amounts of the receivables.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2020:

	Expected loss rate (%)	Gross carrying amount (RMB'000)	Loss allowance (RMB'000)
Provision on individual basis	63.8%	549	354
Provision on collective basis			
Current (not past due)	0%	9,602	–
Up to 3 months past due	1.7%	2,083	35
4 to 9 months past due	2.0%	2,765	55
10 to 21 months past due	2.4%	678	16
More than 21 months past due	–	–	–
		15,677	460

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk and impairment assessment *(Continued)*

Trade receivables *(Continued)*

Measurement of expected credit loss (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2019:

	Expected loss rate (%)	Gross carrying amount (RMB'000)	Loss allowance (RMB'000)
Provision on individual basis	23.7%	2,741	651
Provision on collective basis			
Current (not past due)	0%	4,099	–
Up to 3 months past due	1.6%	3,539	57
4 to 9 months past due	1.9%	1,302	25
10 to 21 months past due	2.3%	284	7
More than 21 months past due	17.8%	265	47
		12,230	787

Expected loss rates are based on historical pattern from the past 3 years, time value of money where appropriate and forward-looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle the trade receivables. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Loss allowance for other financial assets at amortised cost, which mainly comprise of other receivables, are measured on a 12-month ECL basis. As at 31 December 2020, the balance of loss allowance in respect of other financial assets at amortised cost was RMB Nil (2019: RMB128,000).

The credit risk on bank and cash balances and fixed bank deposits are limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables and trade deposits are set out in notes 22 and 23 respectively to the consolidated financial statements.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Weighted average interest rate %	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
Year ended 31 December 2020						
Non-derivative financial liabilities						
Accruals and other payables	**–**	**5,668**	**–**	**–**	**5,668**	**5,668**
Lease liabilities	**3.66**	**92**	**–**	**–**	**92**	**90**
Loan from a related company	**4.75**	**238**	**238**	**5,713**	**6,189**	**5,000**
		5,998	**238**	**5,713**	**11,949**	**10,758**
Year ended 31 December 2019						
Non-derivative financial liabilities						
Accruals and other payables	–	8,080	–	–	8,080	8,080
Lease liabilities	3.66	486	92	–	578	565
		8,566	92	–	8,658	8,645

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities. The Group's exposure to cash flow interest rate risk arises from its bank balances and bank deposits. The loan from a related company, bank balances and fixed bank deposits bear interest at variable rates which vary with the then prevailing market condition. The management is of opinion that the Group's exposure to interest rate risk is minimal since fluctuation of interest rates of lease liabilities, loan from a related company, bank balances and fixed bank deposits is expected to be insignificant. Accordingly, no interest rate risk sensitivity is presented.

(e) Categories of financial instruments

	2020 **RMB'000**	2019 RMB'000
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)	**32,945**	42,047
Financial liabilities:		
Financial liabilities at amortised cost	**10,758**	8,645

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. REVENUE

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

	2020 RMB'000	2019 RMB'000
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
	26,805	14,371

8. INVESTMENT INCOME AND OTHER GAINS AND LOSSES, NET

	2020 RMB'000	2019 RMB'000
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 judgement sum (Note a)	**1,461**	–
Government grants (Note b)	**96**	–
Sundry income	**45**	108
	1,642	1,503

Note:

(a) During the year ended 31 December 2020, the Group had recovered a judgement sum as a result of the court judgement against a vendor, former customer of the Group ("Vendor"), as mentioned in the Company announcement dated 25 November 2020 and 1 December 2020.

(b) 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.

9. FINANCE COST

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	**11**	33

10. 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 segments and to assess their performance.

The Group has operated 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 conducted 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 RMB'000	2019 RMB'000
Customer A	**11,044**	2,116
Customer B	**4,450**	N/A(i)
Customer C	**N/A(i)**	4,230
Customer D	**N/A(i)**	2,472
Customer E	**N/A(i)**	1,447

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

11. INCOME TAX EXPENSE

Income tax expense has been recognised in profit or loss as follows:

	2020 **RMB'000**	2019 RMB'000
Deferred tax and income tax expense	**–**	–

No provision for Hong Kong Profits Tax is required since the Company had no assessable profit for both years. 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 a qualifying corporation are taxed at 8.25% (2019: 8.25%), and profits above HK$2 million are taxed at 16.5% (2019: 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% (2019: 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%).

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

	2020 **RMB'000**	2019 RMB'000
Profit/(loss) before tax	**58**	(16,703)
Tax at the domestic income tax rate of 25% (2019: 25%)	**14**	(4,176)
Tax effect of income that is not taxable	**(131)**	(167)
Tax effect of expenses that are not deductible	**608**	602
Tax effect of tax losses not recognised	**222**	2,802
Tax effect of deductible temporary difference not recognised	**498**	611
Utilisation of tax losses previously not recognised	**(1,529)**	–
Tax effect of different tax rates in other tax jurisdictions	**318**	328
Income tax expense	**–**	–

12. PROFIT/(LOSS) FOR THE YEAR

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

	2020 RMB'000	2019 RMB'000
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

* During the year ended 31 December 2020, the Group has acquired a property from the Vendor and the related consideration was entitled to be partially set-off by the outstanding balance of trade and other receivables owing by the Vendor of the Group as adjudicated by the Court. As a result, allowances made in prior years against the relevant trade and other receivables were reversed.

13. EMPLOYEE BENEFITS EXPENSE

	2020 **RMB'000**	2019 RMB'000
Employee benefits expense:		
Salaries, bonuses and allowances	**8,811**	11,907
Retirement benefits scheme contributions	**820**	2,200
Equity-settled share-based payments	**—**	59
	9,631	14,166

The five highest paid individuals in the Group during the year included three (2019: three) directors whose emoluments are reflected in the analysis presented in note 14. The emoluments of the remaining two (2019: two) individuals are set out below:

	2020 **RMB'000**	2019 RMB'000
Fees, salaries and allowances	**836**	813
Retirement benefit scheme contributions	**26**	26
	862	839

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
HK$Nil to HK$1,000,000 (equivalent to RMBNil to RMB889,000) (2019: equivalent to RMBNil to RMB880,000)	**2**	2

14. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

Directors' remuneration is set out below:

	Emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking				
	Fees	Salaries and allowances	Retirement benefit scheme contributions	Share–based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Chiang Chen Feng	**–**	**235**	**–**	**–**	**235**
Ms. Chang Hsiu Hua	**–**	**225**	**–**	**–**	**225**
Mr. Han Lin	**–**	**147**	**32**	**–**	**179**
Non-executive director					
Ms. Lin Chien Ju	**150**	**–**	**–**	**–**	**150**
Independent non-executive directors					
Mr. Cui Shi Wei	**171**	**–**	**–**	**–**	**171**
Mr. Lam Chun Choi	**128**	**–**	**–**	**–**	**128**
Mr. Chow Yiu Ming	**117**	**–**	**–**	**–**	**117**
Total for 2020	**566**	**607**	**32**	**–**	**1,205**
Executive directors					
Mr. Chiang Chen Feng	–	285	–	20	305
Ms. Chang Hsiu Hua	–	273	–	15	288
Mr. Han Lin	–	180	62	12	254
Non-executive director					
Ms. Lin Chien Ju	150	–	–	2	152
Independent non-executive directors					
Mr. Cui Shi Wei	169	–	–	2	171
Mr. Cheng Chi Pang (Resigned on 21 June 2019)	79	–	–	–	79
Mr. Lam Chun Choi	127	–	–	–	127
Mr. Chow Yiu Ming (Appointed in 21 June 2019)	61	–	–	–	61
Total for 2019	586	738	62	51	1,437

14. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2019: Nil).

The remuneration of the Directors by band for the years ended 31 December 2020 and 2019 is set out below:

	Number of individuals	
	2020	2019
HK$Nil to HK$1,000,000 (equivalent to RMBNil to RMB889,000) (2019: equivalent to RMBNil to RMB880,000)	**3**	3

During the year, no emoluments were paid by the Group to any of the Directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Certain Directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 31 to the Group's consolidated financial statements.

(b) Loans, quasi-loans and other dealings in favour of Directors

No loans, quasi-loans and other dealing arrangements in favour of the Directors or entities controlled by or connected with such Directors, subsisted at the end of the year or at any time during the year (2019: Nil).

(c) Directors' material interests in transactions, arrangements or contracts

Apart from the transactions as disclosed in note 32(a) and (b), no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a Director of the Company and the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2019: Nil).

15. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group’s contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,500 per employee and vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. Each subsidiary is required to contribute certain percentage of the employees’ basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of this subsidiary. The only obligation of the subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

16. 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).

17. 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 number 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.

18. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures RMB'000	Computers RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Computer software RMB'000	Total RMB'000
Cost						
At 1 January 2019	629	1,247	780	2,455	770	5,881
Disposals/write-off	–	–	–	(208)	–	(208)
Exchange differences	2	2	2	–	–	6
At 31 December 2019 and 1 January 2020	631	1,249	782	2,247	770	5,679
Additions	45	–	–	–	–	45
Disposals/write-off	–	–	(95)	–	–	(95)
Exchange differences	(15)	(5)	(1)	(5)	–	(26)
At 31 December 2020	661	1,244	686	2,242	770	5,603
Accumulated depreciation and impairment						
At 1 January 2019	409	961	780	2,128	77	4,355
Charge for the year	84	67	–	31	77	259
Eliminated upon disposals/ write-off	–	–	–	(187)	–	(187)
Exchange differences	1	2	2	–	–	5
At 31 December 2019 and 1 January 2020	494	1,030	782	1,972	154	4,432
Charge for the year	76	63	–	31	77	247
Eliminated upon disposals/ write-off	–	–	(95)	–	–	(95)
Exchange differences	(15)	(4)	(1)	(4)	–	(24)
At 31 December 2020	555	1,089	686	1,999	231	4,560
Carrying amount						
At 31 December 2020	106	155	–	243	539	1,043
At 31 December 2019	137	219	–	275	616	1,247

19. RIGHT-OF-USE ASSETS

	Leased properties RMB'000
At 1 January 2019	1,312
Deprecation charge for the year	(765)
Exchange differences	8
At 31 December 2019 and 1 January 2020	555
Deprecation charge for the year	(467)
Exchange differences	(2)
At 31 December 2020	86

	2020 **RMB'000**	2019 RMB'000
Expense relating to short-term lease	**2,005**	1,820
Total cash outflow for lease	**2,488**	2,608

20. INVESTMENT PROPERTIES

	Land RMB'000	Buildings RMB'000	Total RMB'000
Cost			
At 1 January 2019, 31 December 2019 and 1 January 2020	2,249	1,878	4,127
Additions	6,140	3,515	9,655
At 31 December 2020	8,389	5,393	13,782
Accumulated depreciation and impairment			
At 1 January 2019	475	412	887
Charge for the year	51	43	94
At 31 December 2019 and 1 January 2020	526	455	981
Charge for the year	68	52	120
At 31 December 2020	594	507	1,101
Carrying amount			
At 31 December 2020	7,795	4,886	12,681
At 31 December 2019	1,723	1,423	3,146

(a) The Group's investment properties are located in the PRC and their carrying amounts are analysed as follows:

	2020 **RMB'000**	2019 RMB'000
Long-term leases	**1,431**	1,476
Medium-term leases	**11,250**	1,670
	12,681	3,146

20. INVESTMENT PROPERTIES *(Continued)*

(b) Valuation processes of the Group

The Group obtained independent valuation from Asset Appraisal Limited, a member of the Hong Kong Institute of Surveyors, for its investment properties at least annually. For all investment properties, their current use equates to the highest and best use. Asset Appraisal Limited is of the opinion that fair values of Group's investment properties would be approximately RMB26,240,000 as at 31 December 2020 (2019: RMB10,790,000).

The Group's management is responsible for the fair value measurement of investment properties required for financial reporting purpose. At each financial year-end the management assesses property valuation movement when compared to the prior year valuation report and holds discussion with the independent valuer on the valuation methodology.

(c) Valuation techniques

Fair values of investment properties are generally derived using the direct comparison method. This valuation method is based on the price information of comparable properties. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market values. During the two years, there were no changes in the valuation techniques used.

(d) Significant inputs used to determine fair value

As at 31 December 2020, the key assumptions adopted in the valuation in determining fair value were in the following ranges for the Group's portfolio of properties:

Significant observable inputs	Range	Effect on fair value for increase of inputs	Fair value 2020	Fair value 2019
Price per square metre	RMB4,639 to RMB23,100 (2019: RMB4,639 to RMB23,800)	Increase (2019: increase)	**RMB26,240,000**	RMB10,790,000

20. INVESTMENT PROPERTIES *(Continued)*

(e) Leasing arrangements

The Group leases out investment property under operating leases. The leases typically run for an initial period of 2 to 3 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases included variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2020 **RMB'000**	2019 RMB'000
Within 1 year	**38**	102
After 1 year but within 2 years	**11**	38
After 2 year but within 3 years	**—**	11
	49	151

(f) Acquisition

During the year, part of the consideration for the purchase of an investment property in the amount of approximately RMB5,101,000 have been set-off by the outstanding balance of trade receivables, trade deposits and related interest accrued owing by the vendor. Further details of the acquisition are set out in the Company announcement dated 25 November 2020 and 1 December 2020.

21. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2020 and 2019 are as follows:

Name	Place of incorporation and date of incorporation	Issued/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities
			2020	2019	
Directly held:					
Fortune Sun (China) Holdings Limited	BVI, 29 October 2002	100,000 ordinary shares of US$1 each	**100%**	100%	Investment holding
Fortune Sun Properties Limited	BVI, 13 October 2016	1 ordinary share of US$1 each	**100%**	100%	Investment holding
Indirectly held:					
Shanghai Fu Yang Property Consultant Co., Ltd. ("Shanghai Fortune Sun") (note a)	PRC, 11 April 1997	US$7,600,000 registered capital	**100%**	100%	Property consultancy and agency services providing for the primary property market in the PRC
Cornerstone Investment Management & Consultancy Co., Limited ("Cornerstone") (note b)	PRC, 26 September 2005	US$200,000 registered capital	**100%**	100%	Provision of property consultancy, agency services and fund management in the PRC
FS352 Fortune-Sun Real Estate Co., Ltd ("FS352") (note c)	Cambodia, 12 January 2017	US$600,000 registered capital	**100%**	100%	Property consultancy and agency services providing for the property market in the Cambodia

Note:

(a) Shanghai Fortune Sun is a wholly-foreign-owned enterprise under PRC law.

(b) Cornerstone is a sino-foreign equity joint venture under PRC law.

(c) FS352 is a wholly-owned foreign enterprise under Cambodia law.

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during both years.

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Acquisition of additional interests in a subsidiary

In January 2020, the Group entered into an agreement with the non-controlling shareholder of a subsidiary in respect of the acquisition of 39% and 33.25% interests in Project Jiangsu and Project Phnom Penh for a cash consideration of approximately RMB2,056,000. Immediately prior to the purchase, the carrying amount of the non-controlling interests was approximately RMB2,056,000. The effect on the equity attributable to the owners of the Company during the year is summarised as follows:

	RMB'000
Carrying amount of non-controlling interests acquired	2,056
Consideration paid/payable	(2,056)
Effect of acquisition recognised directly in equity	–

22. TRADE RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	**15,677**	12,230
Less: Allowance for credit loss	**(460)**	(787)
	15,217	11,443

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.

22. TRADE RECEIVABLES *(continued)*

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	2019
	RMB'000	RMB'000
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	**195**	2,308
	15,217	11,443

Reconciliation of allowance for credit loss:

	2020	2019
	RMB'000	RMB'000
At 1 January	**787**	1,253
Provision for allowance for the year	**324**	134
Reversal of allowance for the year	**(651)**	(600)
At 31 December	**460**	787

At the end of the reporting period, the Group reviewed trade 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 an individual basis.

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

22. TRADE RECEIVABLES *(continued)*

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:

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

Trade receivables that were past due but not impaired related to a number of customers having a good track record. 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.

23. TRADE DEPOSITS

	2020 RMB'000	2019 RMB'000
Trade deposits	**300**	500
Less: Allowance for trade deposits	**–**	–
	300	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.

23. TRADE DEPOSITS *(continued)*

Base on the payment date, ageing analysis of the Group trade deposits (net of allowance) at the end of the reporting period is as follow:

	2020 **RMB'000**	2019 RMB'000
181 to 365 days	**300**	–
Over 3 years	**–**	500

At the end of the reporting period, the management have reviewed the trade deposits for indications of impairment on an individual basis and considered the timing of the collection on a regular basis.

As at 31 December 2020, the management considered that no 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.

24. FIXED BANK DEPOSITS AND BANK AND CASH BALANCES

As at 31 December 2020, the Group's fixed bank deposits and bank and cash balances included fixed bank deposits held for terms within six months amounted to RMB9,787,000 (2019: RMB17,911,000). The fixed bank deposits carry a fixed interest rate of 0.6% (2019: 1.6%) per annum.

The carrying amounts of the Group's fixed bank deposits and bank and cash balances are denominated in the following currencies:

	2020 **RMB'000**	2019 RMB'000
RMB	**3,424**	2,483
USD	**10,427**	24,264
HKD	**2,445**	1,692
	16,296	28,439

As at 31 December 2020, the fixed bank deposits and bank and cash balances of the Group's subsidiaries located in the PRC denominated in RMB amounted to approximately RMB3,424,000 (2019: RMB2,483,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

25. ACCRUALS AND OTHER PAYABLES

	2020 **RMB'000**	2019 RMB'000
Housing payments received on behalf of a property developer	**463**	4,413
VAT payables	**1,116**	858
Commission payables	**318**	360
Accrued salaries	**439**	550
Union fee payables	**770**	701
Payable to a former non-controlling shareholder	**927**	–
Others	**1,635**	1,198
	5,668	8,080

26. LEASE LIABILITIES

	2020 RMB'000	2019 RMB'000
Lease liabilities payable:		
Within one year	**90**	475
Within a period of more than one year but not more than two years	**–**	90
	90	565
Less: Amount due for settlement within 12 months shown under current liabilities	**(90)**	(475)
Amount due for settlement after 12 months shown under non-current liabilities	**–**	90

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2020 RMB'000	2019 RMB'000
USD	**–**	104
HKD	**–**	185

27. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised by the Group.

	Timing difference on revenue recognition RMB'000	Tax losses RMB'000	Timing difference on expense recognition RMB'000	Total RMB'000
At 1 January 2019	1,515	(1,304)	(211)	–
(Credit)/charge to profit or loss	397	(608)	211	–
At 31 December 2019 and 1 January 2020	1,912	(1,912)	–	–
(Credit)/charge to profit or loss	1,041	(979)	(62)	–
At 31 December 2020	2,953	(2,891)	(62)	–

The following is the analysis of the deferred tax balances (after offset) for the purpose of presentation in the consolidated statement of financial position purposes:

	2020 RMB'000	2019 RMB'000
Deferred tax liabilities	**2,953**	1,912
Deferred tax assets	**(2,953)**	(1,912)
	–	–

At the end of the reporting period the Group had unused tax losses of approximately RMB38,996,000 (2019: RMB44,961,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB11,564,000 (2019: RMB7,648,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB27,432,000 (2019: RMB37,313,000) due to the unpredictability of future profit streams.

27. DEFERRED TAXATION *(continued)*

As at 31 December 2020, the Group's unused tax losses will expire in the following years:

	2020 **RMB'000**	2019 RMB'000
In 2025	**59**	–
In 2024	**15,293**	15,293
In 2023	**3,673**	3,673
In 2022	**9,720**	9,720
In 2021	**2,303**	8,420
In 2020	**–**	420
Indefinite	**7,948**	7,435
	38,996	44,961

Included in the unused tax losses, an amount of approximately RMB31,048,000 (2019: RMB37,526,000), will expire between 2021 to 2025 (2019: 2020 to 2024). Other unused tax losses may be carried forward indefinitely.

Under the Enterprise Income Tax Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. As the PRC subsidiaries have no distributable profits since 2008, no deferred taxation has been provided for in the consolidated income statement in respect of temporary differences attributable to undistributed earnings.

28. SHARE CAPITAL

	Number of Ordinary shares	Nominal value	
	'000	HK$'000	RMB'000
Authorised:			
Ordinary shares of HK$0.1 each			
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	2,000,000	200,000	206,000
Issued and fully paid:			
Ordinary shares of HK$0.1 each			
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	246,183	24,618	24,394

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy back shares, raise new debts, redeem existing debts or sell assets to reduce debts. No changes had been made in the objectives, policies and processes during the years ended 31 December 2020 and 2019.

The only externally imposed capital requirement for the Group is that in order to maintain its listing status on the Stock Exchange, the Company has to have a public float of at least 25% of its issued shares.

The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2020, 43.3% (2019: 43.3%) of the shares were in public hands.

29. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment		**3**	6
Right-of-use asset		**–**	182
Investments in subsidiaries	21	**103**	103
		106	291
Current assets			
Prepayments and deposits		**178**	198
Amounts due from subsidiaries		**33,719**	43,963
Bank and cash balances		**75**	986
		33,972	45,147
Current liabilities			
Accruals and other payables		**801**	238
Lease liability		**–**	185
		801	423
Net current assets		**33,171**	44,724
NET ASSETS		**33,277**	45,015
Capital and reserves			
Share capital		**24,394**	24,394
Reserves	29(b)	**8,883**	20,621
TOTAL EQUITY		**33,277**	45,015

Approved by the Board of Directors on 31 March 2021 and are signed on its behalf by:

Chang Hsiu Hua
Director

Han Lin
Director

29. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company

	Share premium RMB'000	Share-based payment reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	69,619	4,355	(11,489)	(40,592)	21,893
Currency translation differences	–	–	3,447	–	3,447
Share options lapsed	–	(127)	–	127	–
Recognition of equity-settled share-based payments transactions	–	59	–	–	59
Loss for the year	–	–	–	(4,778)	(4,778)
At 31 December 2019	69,619	4,287	(8,042)	(45,243)	20,621
At 1 January 2020	**69,619**	**4,287**	**(8,042)**	**(45,243)**	**20,621**
Currency translation differences	**–**	**–**	**1,610**	**–**	**1,610**
Share options lapsed	**–**	**(47)**	**–**	**47**	**–**
Loss for the year	**–**	**–**	**–**	**(13,348)**	**(13,348)**
At 31 December 2020	**69,619**	**4,240**	**(6,432)**	**(58,544)**	**8,883**

30. RESERVES

(a) Group

The movements of the Group's reserves are presented in the consolidated statement of changes in equity.

30. RESERVES *(Continued)*

(b) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4 (n) to the consolidated financial statements.

(iii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4 (b) to the consolidated financial statements.

31. SHARE-BASED PAYMENTS

Equity-settled share option scheme

A post-IPO share option scheme ("Share Option Scheme") was adopted pursuant to the resolutions passed by all shareholders on 17 June 2016. The purpose of the Share Option Scheme is to enable the Group to grant share options to selected participants as incentives or rewards for their contribution to the Group. The Share Option Scheme will remain in force for a period of 10 years commencing from 17 June 2016.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

31. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

The exercise price of the share options is to be determined by the Directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

On 19 January 2017, options to subscribe for an aggregate of 10,000,000 shares of the Company have been granted by the Company to the existing Directors and certain employees of the Group under the Share Option Scheme A. 50% of share options have an exercisable period from 19 January 2018 to 18 January 2027 ("Share Option 1") and the remaining share option have an exercisable period from 19 January 2019 to 18 January 2027 ("Share Option 2").

Details of the specific categories of options are as follows:

	Date of grant	Vesting period	Exercisable period	Exercise price HK$
Share Option 1	19/1/2017	19/1/2017 to 18/1/2018	19/1/2018 to 18/1/2027	1.130
Share Option 2	19/1/2017	19/1/2017 to 18/1/2019	19/1/2019 to 18/1/2027	1.130

31. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

If the options remain unexercised after a period of ten years from the date of grant, the options will expire. Options are forfeited if the employee leaves the Group.

Details of the share options outstanding during the year are as follows:

	2020		2019	
	Number of shares issuable under options	**Weighted average exercise price HK$**	Number of shares issuable under options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**6,900,000**	**1.130**	7,100,000	1.130
Forfeited during the year	**(100,000)**	**1.130**	(200,000)	1.130
Outstanding at the end of the year	**6,800,000**	**1.130**	6,900,000	1.130
Exercisable at the end of the year	**6,800,000**	**1.130**	6,900,000	1.130

Note:

The options outstanding at the end of the year have a weighted average remaining contractual life of 6.1 years (2019: average life of 7.1 years) and the adjusted exercise price of HK$1.13 (2019: adjusted exercise price of HK$1.13).

32. RELATED PARTY TRANSACTION AND BALANCES

(a) Transaction with related parties

In addition to those related party transactions disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related party during the year:

	2020 RMB'000	2019 RMB'000
Rental expense paid to a related company owned by a Director of the Company	**903**	942

(b) Balance with related parties

	2020 RMB'000	2019 RMB'000
Loan from a related company owned by a director of the Company	**5,000**	–

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

33. CONTINGENT LIABILITIES

At 31 December 2020 and 2019, the Group did not have any significant contingent liabilities.

34. EVENTS AFTER THE REPORTING PERIOD

As of the approval date on these consolidated financial statements, the Group had no significant events after reporting period which need to be disclosed.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Loan from a related company RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2019	–	1,312	1,312
Repayment of lease liabilities — capital element	–	(755)	(755)
— interest element	–	(33)	(33)
	–	(788)	(788)
Interest expense	–	33	33
Exchange difference	–	8	8
	–	41	41
At 31 December 2019 and 1 January 2020	**–**	**565**	**565**
Loan raised	**5,000**	**–**	**5,000**
Repayment of lease liabilities — capital element	**–**	**(472)**	**(472)**
— interest element	**–**	**(11)**	**(11)**
	5,000	**(483)**	**4,517**
Interest expense	**–**	**11**	**11**
Exchange difference	**–**	**(3)**	**(3)**
	–	**8**	**8**
At 31 December 2020	**5,000**	**90**	**5,090**

36. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Directors on 31 March 2021.

A summary of the results, assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements, is as follows:

	Year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**26,805**	14,371	26,103	26,367	23,014
Profit/(loss) for the year attributable to owners of the Company	**58**	(12,432)	(7,553)	(16,644)	(5,453)

	At 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES					
Total assets	**48,078**	48,179	71,168	63,529	80,694
Total liabilities	**10,758**	8,645	17,013	8,766	13,093
Total equity	**37,320**	39,534	54,155	54,763	67,601

Summary of Major Properties

Investment Properties Held

Descriptions	Total gross floor areas (sq.m.)	Nature of Property	Attributable interest of the Group	Category of lease
1. Underground Room No. 302 of Block No. 1, and Underground Room No. 101, South Tower of Block No. 2 of Chao Yang Jie Zuo, No. 134 Yuan Shifoying East Lane, Chanyang District, Beijing, the PRC	approximately 227.32 sq.m (area of the underground rooms)	Residential	100%	Long-term
2. Units Nos. 201 & 202 of Block No. 301 and Bicycle Parking Space No. 50 of Xiang Di Ya Jing, No. 1028 Renmin West Road, Haimen City, Jiangsu Province, the PRC	approximately 276.58 sq.m	Residential and bicycle parking	100%	Long-term
3. Rooms Nos. 29 and 30 on Level 8 of Jiu Wu Business Mansion, No. 598 Jiangnan Road, Science and Technology Park District, Ningbo City, Zhejiang Province, the PRC	approximately 176.90 sq.m	Office	100%	Medium-term
4. Car Parking Spaces Nos. 199 and 200, Basement Level 1, Jiu Wu Business Mansion, No. 19 Lane 328 Yangmuqi Road, Jiangdong District, Ningbo City, Zhejiang Province, the PRC	approximately 29.60 sq.m	Car parking	100%	Long-term
5. Shop No. 39, Tian Ci Liang Yuan, No. 39 Lane 55 Qingfeng Road, Cicheng Town, Jiangbei District, Ningbo City, Zhejiang Province, the PRC	approximately 79.19 sq.m	Shop	100%	Medium-term
6. Car Parking Spaces Nos. 11, 12, 13 and 14, Basement Level 1, Tian Ci Liang Yuan, No. 53 Lane 55 Qingfeng Road, Cicheng Town, Jiangbei District, Ningbo City, Zhejiang Province, the PRC	approximately 60.36 sq.m	Car parking	100%	Long-term
7. Shop 201, Block 1 and 2 Xuelin Yayuan, Yuxin Community Committee, Xindu District, Yancheng City, Jiangsu Province, the PRC	approximately 1,971.52 sq.m	Shop	100%	Medium-term