ANNUAL REPORT 2018

FORTUNE SUN

Fortune Sun

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

23 years

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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. Cheng Chi Pang
Mr. Cui Shi Wei
Mr. Lam Chun Choi

EXECUTIVE COMMITTEE

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

AUDIT COMMITTEE

Mr. Cheng Chi Pang *(Chairman)*
Mr. Cui Shi Wei
Mr. Lam Chun Choi

REMUNERATION COMMITTEE

Mr. Cui Shi Wei *(Chairman)*
Mr. Cheng Chi Pang
Mr. Lam Chun Choi

NOMINATION COMMITTEE

Mr. Chiang Chen Feng *(Chairman)*
Mr. Cheng Chi Pang
Mr. Lam Chun Choi

REGISTERED OFFICE

P.O. Box 10008
Willow House
Cricket Square
Grand Cayman KY1-1001
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

Room 1115, 11th Floor
Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited
P.O. Box 10008
Willow House
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22
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

BDO 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

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 2018.

According to the statistics of the National Bureau of Statistics of the People Republic of China (the "PRC"), in the first three quarters of 2018, the GDP of China reached RMB65,089.9 billion, up 6.7% year-on-year. This year, the operation of PRC's macroeconomy has continued with the stable momentum passed down by the second half of 2016 and tendency of improvement in several macroeconomic indicators. In term of the quarterly GDP, the year-on-year increase in the first quarter, second quarter and third quarter was 6.8%, 6.7% and 6.5%, respectively. There was a continuous increase of 6.5% to 6.9% in 12 consecutive quarters.

In term of industries, the added value of the primary industry was RMB4,217.3 billion, up 3.4% year-on-year; the added value of the secondary industry was RMB26,295.3 billion, up 5.8%; and the added value of the tertiary industry was RMB34,577.3 billion, up 7.7%. The structural reform of the supply-end has been further promoted, and the market expectation is generally positive. Structural de-capacity continued to deepen. From January to November in 2018, the PRC local governments continued to accelerate the land supply model, increasing the area of residential and commercial land use. Major cities such as Shanghai, Beijing and Shenzhen successively issued housing development plans and medium- and long-term plans for land supply to implement "effective supply". The amount of residential land offered increased by nearly 30% year-on-year. Given the satisfying sales figures in the property market in year 2017, the third- and fourth-tier cities further increased land supply, achieving the highest year-on-year increase in land supply among all the other cities.

In 2018, companies in the real estate industry were responsive to policy orientation and has fostered new business growth momentum through diversified development strategies. At this stage, the PRC economy has shifted from a high-speed growth stage to a high-quality growth stage. As the economic structure has entered the optimization period, the real estate industry was transforming and upgrading, with improving the increasing consideration for the living standard of the population. In order to adapt to the new situation, leading market players have entered a stage of diversified development. On one hand, the housing system of renting and purchasing would fully activate the inventory in the market, and the leasing market would usher in a period of rapid development. On the other hand, in the context of consumption and industrial upgrade, enterprises need to adapt to the transformation of the national industrial structure by adjusting their business model, continuously upgrading product services, and building a complex industrial layout. In respect of performance, the sales performance of branded real estate enterprises continued to grow this year, and the effect arising from the economy of scale of leading enterprises was significant. Regarding land acquisition, the pace of replenishment of land acquisition by enterprises slowed down, and the proportion of land acquisition by branded real estate enterprises accounted for nearly 30% of the sales amount of commercial housing in the same period. In terms of financing, supervision to real estate financial was strict, leading to less financing channels available in the industry. Corporate funds were thereby under pressure. However, the advantages of large-scale housing enterprises were still prominence. From the strategic perspective, following the continue deepening of the regulatory policies, enterprises accelerated the supply of houses and actively promoted their marketing through a diversified layout to ensure their own cash security and stable operation. In this process, the Group followed the policy orientation and diversified development to boost business growth.

The Group's business in the Yangtze River Delta such as Yichang and other cities in the northern and central part of Jiangsu Province, the PRC maintained steady growth and excellent performance in sales. Meanwhile, in terms of business development, due to structural adjustments, the market in the area around the first-tier cities and the market of the strong second-tier cities are improving with projects signed in the development process in 2018.

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

According to a report by the National Bank of Cambodia (NBC), Cambodia's foreign direct investment (FDI) amounted to approximately US$1.32 billion in the first half of this year, representing an increase of 13.8% as compared to US$1.16 billion in the same period in 2017. PRC's cumulative agreed investment in Cambodia has exceeded US$900 million, accounting for Cambodia's largest source of foreign capital.

At present, Cambodia has made breakthroughs in the Phnom Penh New Airport and highway of Phnom Penh-Westport, deepening the cooperation between China and Cambodia. Since 2018, countries around the world, especially PRC, have increased their investment in Cambodia. Thus, Cambodian economy has continued to develop and their real estate market is developing rapidly, with rising land price and housing price. In order to match with PRC's Belt and Road initiative, various development opportunities have emerged in Southeast Asian countries, the potential is especially large in the relatively less-developed Cambodian market. The Group utilized various resources to carry out its agency business of new housing projects and second-hand housing projects and their integration as well as asset management service, while realizing the integration of online and offline network systems, so as to actively identify market opportunities.

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

The Group undertook a total of 17 projects in 2018, including 12 projects that focused on comprehensive property consultancy and sales agency service. As at 31 December 2018, the Group had a total of 16 executable projects with saleable areas of approximately 546,000 square meters. Looking forward, the Group will continue to endeavor to widen its business project base in order to enhance both the quality and quantity of our property planning, consultancy and sales agency service projects.

Thus, the Group's total comprehensive property consultancy and sales agency services revenue slightly decreased by approximately 0.4%, while the revenue generated solely from real estate planning and consulting business decreased by 9.2%. The audited income of the Group for the year was approximately RMB26,103,000, representing a slightly decrease of approximately 1.0% compared to the audited income of approximately RMB26,367,000 at the same period of the previous year. In addition, following the active cost control by the Group, the overall service cost in this year under review decreased by 17.6%, mainly due to the effective cost control in rental expenses and marketing expenses of some major projects. Thereby, the gross profit of the Group of the year increased from approximately RMB271,000 to RMB4,603,000 year-on-year. During the year under review, the overall operating and administrative expenses decreased by approximately 15.4%, mainly due to the decrease in the amortization expenses from the options granted in early 2017. Thus, the loss for the year attributable to owners of the Company decreased to approximately RMB7,553,000 from the loss of RMB16,644,000 for the corresponding period of last year. The basic loss per share in 2018 was approximately RMB3.08 cents (2017: RMB6.80 cents).

Given the loss recorded by the Group for the year and the need of the Group to maintain healthy liquidity level to capture appropriate investment opportunities in light of the expected slow recovery of the PRC and Southeast Asia property markets in 2019, the Board did not recommend the payment of final dividend for the year ended 31 December 2018.

In 2019, 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. At the same time, the Group has also targeted the Southeast countries in the "One Belt One Road" regions as its investment targets. 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
Fortune Sun (China) Holdings Limited
Chiang Chen Feng
Chairman

25 March 2019
Hong Kong

DIRECTORS

Executive Directors

Mr. Chiang Chen Feng (江陳鋒), aged 54, 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") 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.

Ms. Chang Hsiu Hua (張秀華), aged 53, 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 each 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.

Mr. Han Lin (韓林), aged 51, 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.

Non-executive Director

Ms. Lin Chien Ju (林倩如), aged 46, 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 67, 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. Cheng Chi Pang (鄭志鵬), aged 61, has been appointed as an independent non-executive Director since June 2006. Mr. Cheng obtained a bachelor's degree in Business and a master degree in Business Administration from Curtin University of Technology and Heriot-Watt University in 1992 and 1998 respectively. In addition, Mr. Cheng obtained a Master of Laws (Chinese and Comparative Law) from City University of Hong Kong. Mr. Cheng is an associate member of the Hong Kong Institute of Certified Public Accountants, Institute of Chartered Accountants in England and Wales, the Australian Society of Certified Practising Accountants and the Taxation Institute of Hong Kong and a fellow member of the Hong Kong Institute of Directors. Mr. Cheng is a Certified Public Accountant practising in Hong Kong and has over 30 years of experience in auditing, business advisory and financial management. Mr. Cheng had been a group financial controller of NWS Holdings Limited (Stock Code: 00659), the shares of which are listed on the Stock Exchange. Currently, Mr. Cheng is the senior partner of Leslie Cheng & Co. Certified Public Accountants and the chairman and chief executive officer of L & E Consultants Limited. Mr. Cheng is also an independent non-executive director of China Ting Group Holdings Limited (Stock Code: 03398) and Tianjin Port Development Holdings Limited (Stock Code: 03382), all of which are companies listed on the Stock Exchange. Mr. Cheng was an independent non-executive director of Nine Dragons Paper (Holdings) Limited (Stock Code: 02689) and a non-executive director of Wai Kee Holdings Limited (Stock Code: 00610) and Build King Holdings Limited (Stock Code: 00240) which he resigned in March 2016, May 2016 and May 2016, respectively.

Reference is made to the announcement of the Company dated 13 January 2016. By an order dated 18 December 2015 (the "Order") made by the disciplinary committee of the Hong Kong Institute of Certified Public Accountants, Mr. Cheng was found to be in breach of the Hong Kong Standards on Auditing 220 and paragraphs 100.4 and 130.1 of the Code of Ethics for Professional Accountants, and was ordered to pay a penalty of HK$100,000 and costs of the hearing totaling HK$10,250. In addition, Mr. Cheng and the other respondent were ordered to jointly and severally pay the remaining costs and expenses of and incidental to the complaint proceedings in a sum of HK$280,788.70. The Board confirms that the Order does not relate to, and will not affect, the normal business operations of the Company and its subsidiaries. The Board does not consider that the Order would have any impact on Mr. Cheng's ability to discharge his duties as an independent non-executive Director.

The Company was informed by Mr. Cheng on 14 March 2018 that he had surrendered the honorary doctorate degree (the "Honorary Degree") granted to him by Burkes University in November 2003 and that he will not use such honorary title in the future.

According to Mr. Cheng, he received an e-mail in 2003 from Burkes University stating that Mr. Cheng had been short-listed by the Honorary Doctorates Committee of Burkes University for the conferment of the Honorary Degree. Mr. Cheng subsequently performed a brief check on the internet, and nothing had drawn to his attention that the e-mail was a scam e-mail or from a mendacious sender. Mr. Cheng was aware that the Honorary Degree is honorary in nature, and given that it is not uncommon for honorary degrees to be awarded by universities at their discretions to persons with or without any prior connection or otherwise meeting any matriculation or research requirements, he did not find any abnormality in respect of the proposed conferment of the Honorary Degree by Burkes University in 2003. Mr. Cheng followed the procedures prescribed in the e-mail and submitted the relevant application documents to Burkes University for consideration. In or about November 2003, Mr. Cheng received the original certificate of the Honorary Degree dated 27 November 2003 issued by Burkes University along with materials detailing information of Burkes University by post.

Based on public information, there have been allegations that Burkes University had not obtained the required licence from the relevant government authority and is not a recognised university. As informed by Mr. Cheng, Burkes University does not have a website of its own, and he cannot find any information regarding the status of Burkes University in 2003 when the Honorary Degree was awarded. For prudence sake, he had surrendered the Honorary Degree and that he will not use such honorary title in the future.

Mr. Lam Chun Choi (林俊才), aged 50, 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.

SENIOR MANAGEMENT

Ms. Wang Jia (王佳), aged 49, 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 24 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 34, 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.

MARKET AND BUSINESS REVIEW

By the end of 2018, the overall operating environment of the property sector was relatively stable as compared to the preceding year. In 2018, according to statistics from the China Housing Index Research Institute, the sales area of commercial housing was 1.49 billion square meters, an year-on-year increase of 1.4%. Among which, the sales area of commercial residential buildings was 1.29 billion square meters, up 2.1% year-on-year. From January to October 2018, the investment in national real estate development was RMB9,932.5 billion, up 9.7% year-on-year while the growth rate dropped by 0.2% from January to September. Among which, residential investment contributed to RMB7,037.0 billion, an increase of 13.7%, and the growth rate dropped by 0.3%. Residential investment accounted for 70.8% of the investment in real estate development.

In 2018, the core idea of "buying house for living instead of speculation" was widely implemented around the PRC. Policies shall be implemented according to urban conditions, which is targeted and differentiated. Even though there are not many national large-scale control policies issued, but the local governments have introduced various control policies according to their own conditions. Meanwhile, different from last year, various policies have been expanded from first- and second-tier cities to third- and fourth-tier cities.

For foreign development, with the implementation of the Belt and Road Initiative, the Company has further expanded into the Southeast Asian market. As an important link on the Belt and Road Initiative, Cambodia has always attracted great attention. According to a report by the National Bank of Cambodia (NBC), Cambodia's foreign direct investment (FDI) amounted to US$1.32 billion in the first half of 2018, an increase of 14% compared with US$1.16 billion in the same period in the previous year. The PRC's cumulative agreed investment in Cambodia has exceeded US$900 million, accounting for Cambodia's largest source of foreign capital.

Regarding the Group's operations during the year under review on a geographical sense, most of the Group's recorded revenue was generated from projects in Jiangsu Province, followed by Hubei Province and Shanghai, which represented approximately 47.42%, 39.97% and 9.27% of the Group's total revenue respectively. On a comparative basis, in 2017, the Group's recorded revenue was mainly generated from projects in Jiangsu Province, followed by Hubei Province and Shanghai. Regarding business and products segments, during the year under review, the revenue generated from the comprehensive property consultancy and sales agency service business remained a major source of income for the Group and accounted for approximately 93.95% of the total revenue (2017: approximately 93.40%), while the revenue generated from the pure property planning and consultancy accounted for approximately 6.05% of the total revenue (2017: approximately 6.60%).

In 2018, the Group recorded revenue of approximately RMB26,103,000, representing a slight decrease of approximately 1.0% as compared to the revenue in the corresponding period of last year and gross profit increased from approximately RMB271,000 in last year to approximately RMB4,603,000 in the current year. As a result of the decrease in overall cost of services by approximately 17.6%, mainly due to the decrease in major cost of services such as rental expenses and marketing expenses of some major projects, the gross profit margin also increased to approximately 17.6% during the year under review from approximately 1.0% in last year. The overall operating and administrative expenses also decreased by approximately 15.4% as compared to last year. The equity-settled share-based payment decreased, amounting to approximately RMB2,939,000 in the current year under review. Thus, the loss for the period attributable to owners of the Company decreased to RMB7,553,000 from the loss of RMB16,644,000 for the corresponding period of last year.

COMPREHENSIVE PROPERTY CONSULTANCY AND SALES AGENCY BUSINESS

During the year under review, the provision of comprehensive property consultancy and sales agency services for the primary property market in the PRC was the core business of the Group. In 2018, most of the revenue of the Group was generated from 12 comprehensive property consultancy and sales agency service projects (2017: 13 projects) with approximately 150,259 square meters (2017: approximately 153,127 square meters) of total saleable gross floor areas of the underlying projects. The reported revenue from these comprehensive property consultancy and sales agency service projects for the year ended 31 December 2018 was approximately RMB24,523,000, representing approximately 93.95% of the total revenue of the Group (2017: approximately RMB24,626,000, representing approximately 93.40% of the total revenue).

As at 31 December 2018, the Group had 16 comprehensive property consultancy and sales agency service projects on hand with total unsold gross floor areas of approximately 546,000 square meters (2017: approximately 408,000 square meters). Among these 16 projects, sales of the underlying properties of 5 projects have not yet commenced as at 31 December 2018.

PURE PROPERTY PLANNING AND CONSULTANCY BUSINESS

During the year ended 31 December 2018, the Group implemented in total 5 pure property planning and consultancy service projects (2017: 5 projects). As a result of the stabilized property market in the PRC, the reported revenue generated from this business segment for the year decreased by approximately 9.25% to approximately RMB1,580,000, representing 6.05% of the total revenue for the year of 2018 (2017: approximately RMB1,741,000, representing 6.60% of the total revenue).

PROSPECTS AND OUTLOOK

From economic perspective, the economy was under interior and exterior pressure in 2018, and the downward trend was obvious. Looking forward to 2019, Sino-US trade disputes will be moderated in a short period of time, and the long-term trend is still unclear, which will further affect the future economic situation. If the PRC and the United States reach a further agreement, the pressure on foreign trade will ease, and the economic operation will remain stable while the monetary policy will continue to maintain stable and neutral. Otherwise, the weakening of economic data may require further adjustments in monetary policy or another cutting bank reserve requirement ratios next year. At the same time, the year-on-year growth rate of M1 and M2 will continue to slow down, without any significant improvement in the liquidity of the physical economy. Next year, more attention should be paid to unblocking the transmission mechanism of monetary policy to ensure the flow of liquidity to the physical economy. In terms of real estate policy, under the premise of stable operation of the real estate market, various control policies will focus on stabilization, and more emphasis shall be placed on implementation of different policies according to conditions of different cities, rational policy and structural optimization.

Regarding marketing outlook, the market will be gradually adjusted, and the growth rate of investment and new construction will fall back to middle or low level. According to the analysis of the "Mid- and long-term Development Dynamic Model of China's real estate industry", it is expected that the national real estate market in 2019 will be characterized by "market size fall from the peak with low-speed growth in new construction and investment".

From demand-end, regulations were firmly implemented to further stabilize the expectations, and the sales area of commercial housing will fall from the peak. However, thanks to the support of urbanization, the annual decline will be limited, which is expected to be between 5.0% and 7.0%. The probability for sales area of first-tier cities to rebound slightly is greater while deviation in performance in second-tier cities will be significant as the scale of the overall sales after the market hedging may be slightly adjusted. The support for the third- and fourth-tier market is relatively weak, and thereby the downward pressure on the sales area is relatively higher.

From supply-end, on one hand, limited by the downward adjustment of sales size, the enthusiasm of real estate enterprises to commission their constructions will be significantly reduced, and the poor sales return will also restrict their enthusiasm to make investment. On the other hand, the large-scale land reserve formed in the past two years will form a strong support for the new construction, securing the continued growth of the new construction scale. It will also drive the upward movement of investment. It is expected that the new construction and investment will maintain at a medium and low-speed growth throughout the year while the growth rate of new construction will remain between 4.6% and 6.6%, and the investment growth rate will be around 3.7% to 5.7%. In terms of the price, with the gradual consolidation of expectations, the price of commercial housing will be stable, and it is impossible to rule out any slight decline even though the decline will be limited.

Therefore, in 2019, the real estate market in the PRC will be under pressure in general. If the market trend can be timely detected and strategy can be adjusted according to the rhythm of the market cycle, time and the place, the Group will see positive opportunities under the background of overall adjustment.

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

According to a report by the National Bank of Cambodia (NBC), Cambodia's foreign direct investment (FDI) amounted to US$1.32 billion in the first half of 2018, representing, an increase of 14% as compared with US$1.16 billion in the same period in the previous year. The PRC's cumulative agreed investment in Cambodia has exceeded US$0.9 billion, accounting for Cambodia's largest source of foreign capital.

At present, Cambodia has made breakthroughs in the Phnom Penh New Airport and highway of Phnom Penh-Westport, deepening the cooperation between China and Cambodia. Since 2018, countries around the world, especially the PRC, have increased their investment in Cambodia. Thus, Cambodian economy has continued to develop and their real estate market is developing rapidly, with rising land price and housing price. In order to match with the PRC's Belt and Road initiative, various development opportunities have emerged in Southeast Asian countries, the potential is especially large in the relatively less-developed Cambodian market. The Group utilized various resources to carry out its agency business of new housing projects and second-hand housing projects and their integration as well as asset management service, while realizing the integration of online and offline network systems, so as to actively identify market opportunities.

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

In 2019, the Group will continue to focus on the comprehensive property consultancy and sales agency service as its main businesses and will remain cautious in relation to market volatility and changes. The Group will endeavor to continue its cooperation with property developers and new potential business partners targeting at commodity housing, and focus on the development opportunities in the PRC and Southeast Asia. The Group will also strive to secure more property consultancy and sales agency service projects.

The year 2019 will remain as a year for the Group to broaden sources of income and to minimize expenditures. The management of the Group will endeavor to incentivize their employees to proactively identify new projects and new developers to identify appropriate investment opportunities, and strive to cut operating expenses by means of strengthening budget management and cost control, so as to pursue a long-term development for the Company and its employees as a whole and satisfactory return to the shareholders of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group had net current assets of approximately RMB49,098,000 (2017: RMB49,784,000), total assets of approximately RMB71,168,000 (2017: RMB63,529,000) and equity attributable to owners of the Company of approximately RMB49,726,000 (2017: RMB54,763,000).

As at 31 December 2018, the bank deposits and bank and cash balances of the Group amounted to approximately RMB49,095,000 (2017: RMB39,445,000).

BANK BORROWINGS AND OVERDRAFTS

The Group had no bank borrowings or overdrafts as at 31 December 2018 (2017: Nil).

INDEBTEDNESS AND CHARGE ON ASSETS

The Group did not have any short term borrowing (2017: Nil) nor long term borrowing (2017: Nil) as at 31 December 2018.

As at 31 December 2018, the Group did not have any borrowings. The gearing ratio of the Group (calculated on the basis of total bank and other borrowings over total equity) was 0% (2017: 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, as the Group had no bank borrowings as at 31 December 2018 (2017: Nil).

STAFF AND THE GROUP'S EMOLUMENT POLICY

As at 31 December 2018, the Group had a total of 116 staff (2017: 139 staff).

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

MAJOR INVESTMENTS

For the year ended 31 December 2018, save for the investment properties held by the Group as set out in the section headed "Summary of Major Properties" of this report, no other significant investment was held by the Group. As at the date of this report, save for the investment properties held by the Group, the Group had no future plans for material investments or capital assets.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2018 (2017: Nil).

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 31 December 2018 (2017: Nil)

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 minimize our environmental footprint in our daily operations. In terms of 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 optimize existing policies, management procedures and measures.

ABOUT THIS REPORT

Reporting Scope and Reporting Standard

This report is the third 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 2018 to 31 December 2018 ("Reporting Year", "2018"). 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 Shanghai and Hong Kong. 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

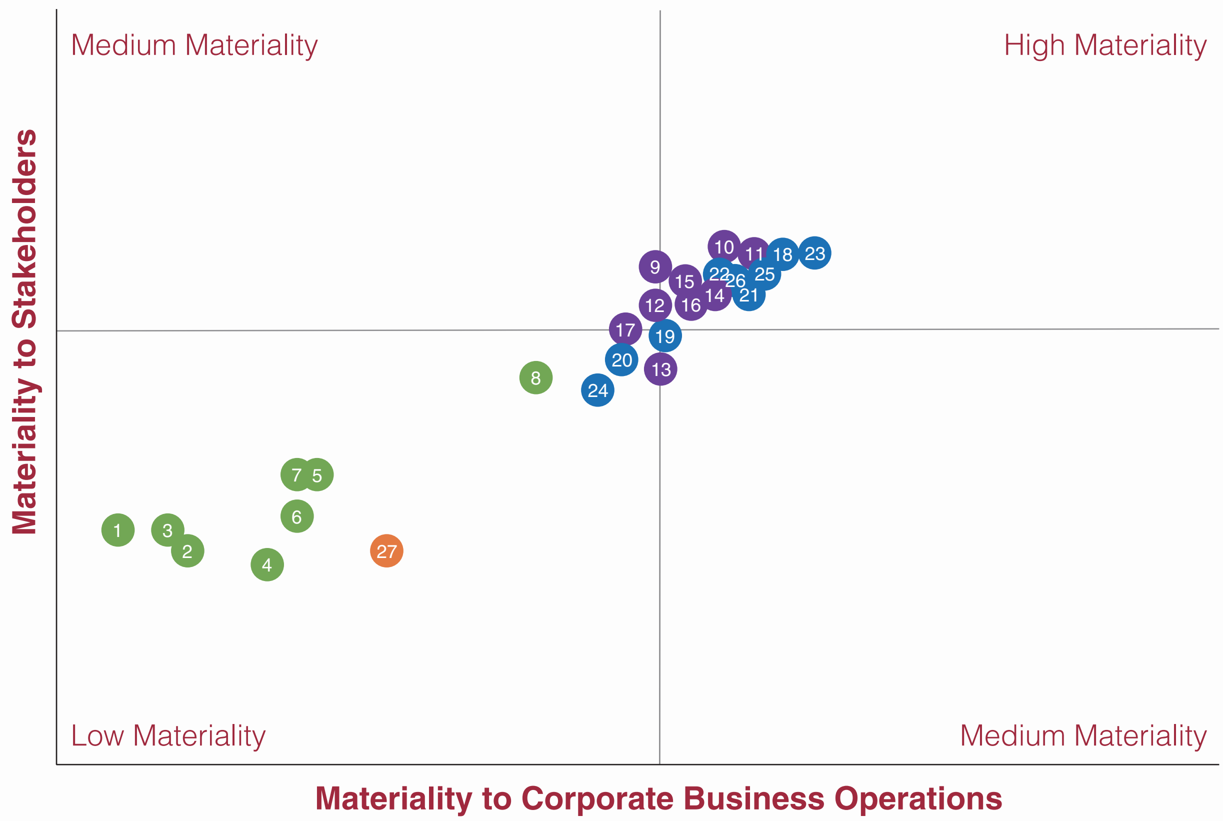
If you have any comments and advices on this Report or our performance on sustainable development, please contact us by email at info@fortune-sun.com. Your feedback would greatly help us continuously improve our policies for promoting the sustainable development of the Group.

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 trainings, direct communication with customers, shareholder activities and face-to-face meeting with investors. The Group will continue to encourage stakeholder participation through different forms of communication.

In order to further identify the materiality of specific ESG issues to the Group, we engaged an independent adviser this year to assist the Group to determine the relevant ESG issues affecting business operations, which included 27 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 most concern our stakeholders.

Materiality Matrix



Environment	Society: Employment and human rights	Society: Product responsibility and operation standard
1. Gas emission	9. Labour rights	18. Customer satisfaction
2. Greenhouse gas emission	10. Labour relationship	19. Quality of customer service and complaint handling
3. Climate change	11. Employee retention	20. Customer health and safety
4. Energy efficiency	12. Diversity and equal opportunities	21. Compliance with regulations on marketing and product and service labels
5. Water & effluents	13. Anti-discrimination	22. Intellectual property
6. Use of materials	14. Occupational health and safety	23. Customer privacy and confidentiality
7. Waste management	15. Staff training	24. Responsible supply chain management
8. Environmental compliance	16. Staff development	25. Business ethics
	17. Prohibition of child labour and forced labour	26. Socio-economic compliance
		Community
		27. Contributions to the society

Based on the results shown in the materiality matrix graph, we determined 11 ESG issues that the stakeholders are most concerned about and are of the highest materiality to business operations — 23. Customer privacy and confidentiality, 18. Customer satisfaction, 11. Employee retention, 25. Business ethics, 21. Compliance with regulations on marketing and product and service labels, 26. Socio-economic compliance, 10. Labour relationship, 22. Intellectual property, 14. Occupational health and safety, 15. Staff training and 16. Staff development. 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' advices and opinions, and take into consideration the valuable suggestions and advices 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 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 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 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. Employee who breaches 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, rigor 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 PRC and the Prevention of Bribery Ordinance 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 minimizing 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. 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 and 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 the similar case 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 the well-being the employees, 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, Labour Contract Law of the People's Republic of China and Employment Ordinance 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 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 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 organizing 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. What's more, 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 toward 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 find out whether the information provided in it is true or not and then handle, respond to and follow up it 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 2018

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.

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 and Occupational Safety and Health Ordinance 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 organized by property management companies regularly and conduct fire safety trainings 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. Employee who encounters a safety hazard during work shall halt the work in hand immediately and notify administrative personnel promptly.

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 commitment to promoting the career development of employees, we hold tailored trainings 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-fulfillment, thus better supporting our overall strategic objectives.

All new employees are required to attend induction training during the probation period to familiarize 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 organizational 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 trainings, including executive training and professional training related to specific real estate project (e.g., basic real estate know-how, update 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 the opportunities for external training and tuition fee subsidies to the 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 trainings 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 be then used as a reference for promotion.

Themed training — Customer source expansion (Cold call skills, over-the-phone customer service and phone manners)

Staff training and assessment — Basic real estate know-how, project knowledge and customer Q&A

In addition to staff training, we also appraise the performance of employees periodically. The purpose is to make them fully aware of their own achievement, performance and areas for improvement, motivate them to pursue continuous improvement as well as nurturing their fulfillment 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 consider promoting staff internally to fill it first, 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 minimizing the social and environmental risks arising from the supply chain, which paves way 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 recognized as 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, attitude of service and professionalism. The underperforming supplier shall be suspended from bidding, and its status as 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.

ENVIRONMENTAL PROTECTION

The principal activities of Fortune Sun China are 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 operation. Besides, we persistently pursue business operations featuring efficient use of resources, minimization 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, 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 operation of the Group's property consultancy and sales agency business is predominantly office-based, it does not involve any substantial emissions of exhaust gas, wastewater or hazardous or non-hazardous waste during operation[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 84.61 tonnes of carbon dioxide equivalent (tCO_2e), representing an intensity of 0.73 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 Emission	Unit	Year 2018	Year 2017
Scope 1	Direct GHG emissions[2]	tCO_2e	14.53	24.10
Scope 2	Indirect GHG emissions from energy consumption[3]	tCO_2e	33.25	36.56
Scope 3	Other indirect GHG emissions[4]	tCO_2e	36.83	47.43
Total		tCO_2e	84.61	108.09
	Intensity[5]	tCO_2e/full-time employee	0.73	0.78

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

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

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

5 As at 31 December 2018 and 31 December 2017, the total numbers of full-time employees are 116 and 139 respectively.

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 minimizing 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
- Utilizing 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

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

Reducing 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 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 on a regular basis 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 consumption of packaging materials. During the Reporting Year, the Group consumed a total of 40.98 MWh of electricity, 6,038.77 liters of gasoline and 361.75 kilograms of paper.

Resource Consumption[6]	Unit	Year 2018	Year 2017
Electricity	Megawatt hour	40.98	45.21
Intensity	Megawatt hour	0.35	0.33
Vehicle fuel (gasoline)	liter	6,038.77	9,062.52
Intensity	liter	52.45	65.20
Paper	kilogram	361.75	449.06[7]
Intensity	kilogram	3.12	3.23

6 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.

7 This figure is derived from the Group's total paper consumption of 90,000 pieces in 2017 and the unit weight of 80g/m^2.

COMMUNITY ENGAGEMENT

Following the principle of "dedication, friendship, mutual assistance and progress", Fortune Sun China encourages employees to practice 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 neighbors and the society to generate 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 No.5 Weifang Village (濰坊五村居民區) 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.


家门口服务站
富阳公益行
富阳(中国)控股公益活动

APPENDIX – ESG REPORTING GUIDE INDEX

Subject Areas, Aspects, General Disclosures and Key Performance Indicators ("KPIs")		Policies and Procedures	Explanation/Reference Section
A – Environmental			
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
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

Subject Areas, Aspects, General Disclosures and Key Performance Indicators ("KPIs")		Policies and Procedures	Explanation/Reference Section
KPI A1.4	Total non-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 A1.5	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
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
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

Subject Areas, Aspects, General Disclosures and Key Performance Indicators ("KPIs")		Policies and Procedures	Explanation/Reference Section
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
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
B – Social			
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

Subject Areas, Aspects, General Disclosures and Key Performance Indicators ("KPIs")		Policies and Procedures	Explanation/Reference Section
B2 Health and Safety			
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 Statement Employee Handbook Administrative Rules and Regulations	Please refer to the section headed "Caring for Employees" for details
B3 Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. *Note: Training refers to vocational training. It may include internal and external courses paid by the employer.*	Training System Employee Handbook	Please refer to the section headed "Caring for Employees" for details
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.	—	The Group has complied with relevant laws and regulations and did not employ child or forced labour

Subject Areas, Aspects, General Disclosures and Key Performance Indicators ("KPIs")		Policies and Procedures	Explanation/Reference Section
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
B6 Product Responsibility			
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
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 Personnel Management Rules and Regulations Employee Anti-corruption Declaration	Please refer to the section headed "Responsible Business Operations" for details
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 2018.

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 18 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.

During the financial year, the Group have 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 in providing quality comprehensive property consultancy and sales agency service.

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.

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 2018 and up to the date of this annual 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 11 to 15 of this report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 and the state of affairs of the Company and the Group as at 31 December 2018 are set out in the consolidated financial statements on pages 70 to 134 of this report.

On 25 March 2019, the Directors resolved not to recommend any final dividend to the shareholders of the Company (the "Shareholders") for the year ended 31 December 2018 due to the loss for the year of the Group.

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 Friday, 21 June 2019 (the "2019 AGM"), the register of members of the Company will be closed from Saturday, 15 June 2019 to Friday, 21 June 2019 (both days inclusive) during which period no transfer of shares will be registered.

In order to qualify for attending and voting at the 2019 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with Tricor Investor Services Limited at Level 22, 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, 14 June 2019.

INVESTMENT PROPERTIES

Details of investment properties of the Group are set out in note 17 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 16 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 24 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Company and of the Group are set out in note 25(b) to the consolidated financial statements and the consolidated statement of changes in equity on page 73, 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 2018, the Company's reserves available for distribution amounted to approximately RMB21,893,000 (2017: RMB22,742,000).

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. Cheng Chi Pang
Mr. Cui Shi Wei
Mr. Lam Chun Choi

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. Lam Chun Choi will retire as Directors and, being eligible, offer themselves for re-election as Directors at the 2019 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, the non-executive Director and Mr. Cheng Chi Pang and Mr. Cui Shi Wei, the independent non-executive Directors, 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, 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 2019 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 13 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	
	2018	2017
HK$1,000,001 to HK$2,000,000 (equivalent to approximately RMB846,001 to RMB1,692,000 in 2018 and approximately RMB865,001 to RMB1,730,000 in 2017)	**—**	3
HK$Nil to HK$1,000,000 (equivalent to approximately RMBNil to RMB846,000 in 2018 and approximately RMBNil to RMB865,000 in 2017)	**3**	—

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Particulars of a related party transaction is disclosed in note 29 to the consolidated financial statements. Such related party transaction is an exempted continuing connected transaction which has 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.

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 2018, 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)	86,861,979 Ordinary Shares (L)	35.28%
		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 13)
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 13)
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 13)
Ms. Chang Hsiu Hua ("Ms. Chang")	The Company	Interest of spouse (Note 8)	86,861,979 Ordinary Shares (L)	35.28%

Name of Directors	Company/ Name of associated corporation	Capacity	Number and class of securities (Note 1)	Approximate percentage of shareholding
		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 13)
Mr. Cheng Chi Pang ("Mr. Cheng")	The Company	Beneficial owner (Note 11)	200,000 Ordinary Shares (L)	0.08% (Note 13)
Mr. Cui Shi Wei ("Mr. Cui")	The Company	Beneficial owner (Note 12)	200,000 Ordinary Shares (L)	0.08% (Note 13)

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. Cheng 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. 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.

13. These percentages are calculated on the basis of 253,283,390 Shares of the Company in issue as at 31 December 2018, 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 2018, 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 2018, 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)	86,861,979 Ordinary Shares (L)	35.28%
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 2018, 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 A") was adopted pursuant to the written resolutions passed by all Shareholders on 10 June 2006. The purpose of the Share Option Scheme A was 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 A had remained in force for a period of 10 years commencing 10 June 2006 and had expired.

Another post-IPO share option scheme ("Share Option Scheme B") was also adopted pursuant to the resolutions passed by all Shareholders on 17 June 2016. The purpose of the Share Option Scheme B 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 B will remain in force for a period of 10 years commencing from 17 June 2016.

Eligible participants of the Share Option Scheme A and Share Option Scheme B 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 A and Share Option Scheme B for the year ended 31 December 2018 were as follows:

Category of participant	Number of shares in respect of share options Outstanding as at 1 January 2018	Exercised during the period	Cancelled or lapsed during the period	Outstanding as at 31 December 2018	Date of grant	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	1,025,869	–	(1,025,869)	–	12/03/2008	12/03/2009 to 11/03/2018	1.065	1.12
	1,025,870	–	(1,025,870)	–	12/03/2008	12/03/2010 to 11/03/2018	1.065	1.12
	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
	3,551,739	–	(2,051,739)	1,500,000				
Lin Chien Ju	52,608	–	(52,608)	–	12/03/2008	12/03/2009 to 11/03/2018	1.065	1.12
	52,609	–	(52,609)	–	12/03/2008	12/03/2010 to 11/03/2018	1.065	1.12
	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
	305,217	(100,000)	(105,217)	100,000				
Cheng Chi Pang	52,608	–	(52,608)	–	12/03/2008	12/03/2009 to 11/03/2018	1.065	1.12
	52,609	–	(52,609)	–	12/03/2008	12/03/2010 to 11/03/2018	1.065	1.12
	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
	305,217	–	(105,217)	200,000				

Category of participant	Outstanding as at 1 January 2018	Exercised during the period	Cancelled or lapsed during the period	Outstanding as at 31 December 2018	Date of grant	Exercise period	Exercise price per Share HK$	Closing price of the Shares on the trading day immediately before the date of grant HK$
	Number of shares in respect of share options							
Cui Shi Wei	52,608	–	(52,608)	–	12/03/2008	12/03/2009 to 11/03/2018	1.065	1.12
	52,609	–	(52,609)	–	12/03/2008	12/03/2010 to 11/03/2018	1.065	1.12
	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
	305,217	–	(105,217)	200,000				
Employees:								
In aggregate	1,750,000	(1,350,000)	(350,000)	50,000	19/1/2017	19/01/2018 to 18/01/2027	1.130	1.08
	1,750,000	–	(900,000)	850,000	19/1/2017	19/01/2019 to 18/01/2027	1.130	1.08
	3,500,000	(1,350,000)	(1,250,000)	900,000				
Total	12,167,390	(1,450,000)	(3,617,390)	7,100,000				

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 A and Share Option Scheme B 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 A and Share Option Scheme B 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 A and Share Option Scheme B and any other share option scheme of the Group) granted under the Share Option Scheme A, Share Option Scheme B 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 A and Share Option Scheme B 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 A and Share Option Scheme B 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 to be granted under the Share Option Scheme B is 7,100,000 Shares, representing approximately 2.88% 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 2018, 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 2018, 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 2018.

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 turnover attributable to the Group's largest customer and five largest customers accounted for approximately 45.88% and 95.12% of the Group's total turnover for the year respectively.

The aggregate purchase attributable to the Group's largest supplier and five largest suppliers accounted for approximately 33.24% and 47.59% 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 2018 were audited by BDO Limited who will retire at the conclusion of the forthcoming 2019 AGM. A resolution will be proposed at the forthcoming 2019 AGM to re-appoint BDO Limited as auditor of the Company for the year ending 31 December 2019.

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

Mr. Chiang Chen Feng
Chairman

Hong Kong, 25 March 2019

CORPORATE GOVERNANCE

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 2018.

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

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. 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 2018. The interests held or deemed to be held by individual Directors in the Company's securities as at 31 December 2018 are set out on pages 42 to 44 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. Cheng Chi Pang, 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 7 to 10 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, Ms. Chang Hsiu Hua, Mr. Han Lin and Ms. Lin Chien Ju retired by rotation and were re-elected as Directors at the annual general meeting of the Company held on 22 June 2018.

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 or 19 September 2017 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 2018, 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. Cheng Chi Pang	4/4
Mr. Cui Shi Wei	4/4
Mr. Lam Chun Choi	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 reviews and approves, 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.

During the year ended 31 December 2018, the Executive Committee convened two meetings to approve the exercise of share options. The individual attendance record of each member of the Executive Committee is tabulated as follows:

Name of Members	Attendance/ Number of meeting
Mr. Chiang Chen Feng *(Chairman)*	2/2
Ms. Chang Hsiu Hua	2/2
Mr. Han Lin	2/2

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. Cheng Chi Pang 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 2018, 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. Cheng Chi Pang	1/1
Mr. Lam Chun Choi	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. Cheng Chi Pang, Mr. Cui Shi Wei and Mr. Lam Chun Choi. Mr. Cheng Chi Pang 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 2018, the Audit Committee met with the external auditor to review and approve the audit plans and also reviewed the Group's annual results of 2017 and interim results of 2018 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 2018. The Audit Committee convened three meetings during the year ended 31 December 2018. The individual attendance record of each member of the Audit Committee is tabulated as follows:

Name of Members	Attendance/ Number of meetings
Mr. Cheng Chi Pang *(Chairman)*	3/3
Mr. Cui Shi Wei	3/3
Mr. Lam Chun Choi	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. Cheng Chi Pang, 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 2018, 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 2018. 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 2018, 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. Cheng Chi Pang	1/1
Mr. Lam Chun Choi	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. Cheng Chi Pang			✓	✓(Hong Kong Resident)
Mr. Cui Shi Wei			✓	✓
Mr. Lam Chun Choi		✓		✓(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. Cheng Chi Pang	✓		✓				✓
Mr. Cui Shi Wei		✓			✓	✓	
Mr. Lam Chun Choi		✓				✓	

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. Cheng Chi Pang	A, B
Mr. Cui Shi Wei	A
Mr. Lam Chun Choi	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 2018, the remuneration payable/paid to BDO Limited, the external auditor of the Company, is set out as follows:

Services rendered	Fees payable/paid RMB'000
Audit services	363
Non-audit services	135
Total	498

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 2018, 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 2018 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:	Room 1115, 11th Floor, Leighton Centre, 77 Leighton Road, Causeway Bay, 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 Room 1115, 11th Floor, Leighton Centre, 77 Leighton Road, Causeway Bay, 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 2018 annual general meeting was held on 22 June 2018. 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. Cheng Chi Pang	1/1
Mr. Cui Shi Wei	1/1
Mr. Lam Chun Choi	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.

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TO THE SHAREHOLDERS 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 70 to 134, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards 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 judgment, 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 assessments of trade receivables and trade deposits (Refer to notes 19 and 20 to the consolidated financial statements) Trade receivables and trade deposits in total represented 26.9% of the Group's net assets as at 31 December 2018 and were therefore significant to the consolidated financial statements. Provision is made for lifetime expected credit losses on trade receivables. 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 assessments 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 assessments included: • Discussing each projects' status at the reporting date with management; • Evaluating the recoverability of amounts due from each of the property developers for those past due projects at the reporting date after considering past collection history, subsequent settlements and any past due bad debt write-offs; • Considering the status and likely outcome of litigation against customers for overdue amounts; • Discussing with management to understand the nature and the judgment involved in estimating the expected credit loss provision on trade receivables. We corroborated and validated management's assessment based on the historical settlement pattern evidence from external sources including the relevant public search results relating to the financial circumstances of the relevant customers and market research regarding the relevant forward-looking information such as macroeconomic factors used in management's assessment; and • Understood and validated the credit control procedures performed by management, including its procedures on periodic review on aged receivables and assessment on expected credit losses allowance of trade receivables and trade deposits.

OTHER INFORMATION IN THE ANNUAL REPORT

The 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 Hong Kong Financial Reporting Standards 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 judgment 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.

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

- 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.

- 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.

BDO Limited
Certified Public Accountants
Choi Man On
Practising Certificate no. P02410

Hong Kong, 25 March 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Revenue	7	**26,103**	26,367
Cost of services rendered		**(21,500)**	(26,096)
Gross profit		**4,603**	271
Investment income and other gains and losses	8	**2,474**	(397)
Operating and administrative expenses		**(13,981)**	(16,518)
Loss before tax		**(6,904)**	(16,644)
Income tax expense	10	**—**	—
Loss for the year	11	**(6,904)**	(16,644)
Profit/(loss) for the year attributable to			
Owners of the Company		**(7,553)**	(16,644)
Non-controlling interests		**649**	—
		(6,904)	(16,644)
		RMB cents	RMB cents
Loss per share for loss attributable to owners of Company	15		
Basic (RMB)		**(3.08)**	(6.80)
Diluted (RMB)		**N/A**	N/A

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Loss for the year		**(6,904)**	(16,644)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**17**	(222)
Other comprehensive income for the year, net of tax		**17**	(222)
Total comprehensive income for the year		**(6,887)**	(16,866)
Total comprehensive income attributable to:			
Owners of the Company		**(7,536)**	(16,866)
Non-controlling interests		**649**	—
		(6,887)	(16,866)

Consolidated Statement of Financial Position

As 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	16	**1,526**	821
Investment properties	17	**3,240**	3,334
Golf club membership		**291**	291
Deposits for non-current assets		**—**	533
		5,057	4,979
Current assets			
Trade receivables	19	**14,085**	16,659
Trade deposits	20	**500**	500
Prepayments and other deposits		**1,194**	1,003
Other receivables		**1,237**	943
Bank deposits	21	**24,090**	26,950
Bank and cash balances	21	**25,005**	12,495
		66,111	58,550
Current liabilities			
Accruals and other payables	22	**17,013**	8,766
Net current assets		**49,098**	49,784
NET ASSETS		**54,155**	54,763
Capital and reserves			
Share capital	24	**24,394**	24,276
Reserves		**25,332**	30,487
Equity attributable to owners of the Company		**49,726**	54,763
Non-controlling interests	18	**4,429**	—
TOTAL EQUITY		**54,155**	54,763

Approved by the Board of Directors on 25 March 2019 and are signed on its behalf by:

Chang Hsiu Hua
Director

Han Lin
Director

For the year ended 31 December 2018

	Attributable to owners of the Company									
	Share capital	Share premium	Merger reserve	Reserve fund	Share-based payment reserve	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interest	Total Equity
		(note 26(b)(i))	(note a)	(note b)	(note 26(b)(ii))	(note 26(b)(iii))				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	24,276	67,674	14,554	16,621	1,436	(1,853)	(55,107)	67,601	—	67,601
Share options lapsed after the vesting period	—	—	—	—	(61)	—	61	—	—	—
Equity-settled share-based transactions	—	—	—	—	4,028	—	—	4,028	—	4,028
Total comprehensive income for the year	—	—	—	—	—	(222)	(16,644)	(16,866)	—	(16,866)
Changes in equity for the year	—	—	—	—	3,967	(222)	(16,583)	(12,838)	—	(12,838)
At 31 December 2017	24,276	67,674	14,554	16,621	5,403	(2,075)	(71,690)	54,763	—	54,763
At 1 January 2018	24,276	67,674	14,554	16,621	5,403	(2,075)	(71,690)	54,763	—	54,763
Share options lapsed after the vesting period	—	—	—	—	(109)	—	109	—	—	—
Exercise of share options	118	1,945	—	—	(653)	—	—	1,410	—	1,410
Expired of share options	—	—	—	—	(1,375)	—	1,375	—	—	—
Equity-settled share-based transactions	—	—	—	—	1,089	—	—	1,089	—	1,089
Injection from Non-controlling interests	—	—	—	—	—	—	—	—	3,780	3,780
Total comprehensive income for the year	—	—	—	—	—	17	(7,553)	(7,536)	649	(6,887)
Changes in equity for the year	118	1,945	—	—	(1,048)	17	(6,069)	(5,037)	4,429	(608)
At 31 December 2018	24,394	69,619	14,554	16,621	4,355	(2,058)	(77,759)	49,726	4,429	54,155

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 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 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 2018

	Note	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(6,904)**	(16,644)
Adjustments for:			
Interest income		**(1,009)**	(874)
Depreciation of property, plant and equipment		**274**	511
Depreciation of investment properties		**94**	94
Dividend income from an equity investment		**—**	(590)
Equity-settled share-based payments		**1,089**	4,028
Loss on disposals and written off of property, plant and equipment		**11**	29
Allowance for other receivables, net		**98**	—
Allowance for trade receivables, net		**53**	754
Reversal of allowance for trade deposits		**(500)**	(223)
Operating loss before working capital changes		**(6,794)**	(12,915)
Decrease in trade receivables		**2,521**	3,761
Decrease in trade deposits		**500**	323
Increase in prepayments and other deposits		**(191)**	(584)
Increase in other receivables		**(392)**	(471)
Increase/(decrease) in accruals and other payables		**8,247**	(4,327)
Net cash generated from/(used in) operating activities		**3,891**	(14,213)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(457)**	(526)
Dividend income received		**—**	590
Proceeds from winding-up the available-for-sale financial assets		**—**	1,500
Decrease/(increase) in bank deposits		**2,860**	(26,950)
Interest received		**1,009**	874
Net cash generated from/(used in) investing activities		**3,412**	(24,512)

	Note	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options		**1,410**	—
Capital injection from non-controlling interests		**3,780**	—
Net cash generated from financing activities		**5,190**	—
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**12,493**	(38,725)
Effect of foreign exchange rate changes		**17**	134
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**12,495**	51,442
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**25,005**	12,495
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	21	**25,005**	12,495

1. GENERAL INFORMATION

Fortune Sun (China) Holdings Limited (the "Company") was incorporated in the Cayman Islands on 28 January 2003 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands. The address of its principal place of business in Hong Kong is Room 1115, 11th Floor, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong and its head office is located at Unit 901, 9th Floor, Orient Building, No. 1500 Century Avenue, Pudong New District, Shanghai, 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 principal activities of its subsidiaries are set out in note 18 to the consolidated financial statements.

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

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

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

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

(a) Adoption of new/revised HKFRSs — effective on 1 January 2018

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKFRS 2	Classification and Measurement of Share Based Payment Transactions
Amendments to HKAS 40	Transfer to Investment Property
HK (IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9 Financial Instruments (see note 3A below) and HKFRS 15 Revenue from Contracts with Customers (see note 3B below) have been summarised below.

Amendments to HKFRS 15 — Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

Amendments to HKFRS 2 — Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of the amendment has no impact on the consolidated financial statements of the Group.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(a) Adoption of new/revised HKFRSs — effective on 1 January 2018 *(Continued)*

Amendments to HKAS 40 — Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

HK (IFRIC)–Int 22 — Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Save as disclosed in Note 3A and 3B, the application of other new and revised HKFRSs in the current period has no material effect on the amounts reported and/or disclosures set out in these consolidated financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

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

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 1 (Revised) and HKAS 8	Definition of Material[2]
Amendments to HKFRS 3	Definition of Business[2]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases“ and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 28, the total operating lease commitment of the Group in respect of rented premises as at 31 December 2018 amounted to RMB$1,607,000. The directors of the Company anticipate that the adoption of HKFRS 16 would not result in significant impact on the Group’s result but expect that the above operating lease commitments will be recognised as right-of-use assets and lease liabilities in the Group’s financial statements.

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

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination if tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Except for HKFRS 16 — leases, the Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

A. HKFRS 9 Financial Instruments ("HKFRS 9")

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("FVTPL"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

A. HKFRS 9 Financial Instruments ("HKFRS 9") *(Continued)*

(i) Classification and measurement of financial instruments *(Continued)*

The following accounting policies would be applied to the Group's financial assets as follows:

Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

	Original classification under HKAS39	**New Classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39**
			RMB'000	RMB'000
Trade receivable and trade deposit	Loans and receivables	Amortised cost	17,159	17,159
Prepayments, other receivables and other deposits	Loans and receivables	Amortised cost	1,946	1,946
Bank deposits, cash and bank balances	Loans and receivables	Amortised cost	39,445	39,445

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognise ECL for trade receivables and financial assets at amortised costs, earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

A. HKFRS 9 Financial Instruments ("HKFRS 9") *(Continued)*

(ii) Impairment of financial assets *(Continued)*

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all 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 ECLs based on lifetime ECLs. 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 ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

A. HKFRS 9 Financial Instruments ("HKFRS 9") *(Continued)*

(ii) Impairment of financial assets *(Continued)*

Impact of the ECL model

(a) *Impairment of trade receivables*

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a life time ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Upon the application of HKFRS 9 on 1 January 2018, the Group have assessed the ECL of all trade receivables as insignificant and therefore it did not result in an adjustment of opening accumulated losses.

(b) *Impairment of other financial assets*

Loss allowance for other financial assets at amortised cost mainly comprise of prepayments, other receivables and other deposits. Since initial recognition, there is no increase in credit risk as there is no indicator of significant increase in credit risk being identified by checking to the movement of other receivable, 12 month expected credit losses is used. Management assessed that the default rate in coming 12 months period is low, hence the expected credit losses rate are estimated to be immaterial as at 1 January 2018 and therefore it did not result in an adjustment of opening accumulated losses.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

A. HKFRS 9 Financial Instruments ("HKFRS 9") *(Continued)*

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessment has been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9:

- The determination of the business model within which a financial asset is held.

B. HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

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

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

B. HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") *(Continued)*

Impact of HKFRS 15

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various services are set out below:

Note	Service	Nature of the services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
(a)	Comprehensive property consultancy and sales agency services	Revenue from comprehensive property consultancy and sales agency services projects 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 different agency contracts, since only by that time the Group has a present right to payment from the property developers for the services performed. The Group's commission rate receivable is variable based on a pre-agreed sales target. Since the Group encounters variable consideration constraint, prior to the Group's sales met the agreed sales target, the Group will recognise revenue based on a lower commission rate. Until when the sales target is met, the Group will recognise the revenue at the higher commission rate on the current property unit sold. For the comprehensive property consultancy and sales agency service projects, although such services includes certain promotional and marketing activities (including formulating and executing marketing and sales strategies) to facilitate the sales transaction of first-hand property units for the property developers, the respective service fee was included in the pre-determined commission rate of the transaction price of each property unit sold. Therefore, the management of the Group assessed that the promotional and marketing services were not distinct and account for all the services performed as a single performance obligation. In addition, the management of the Group has assessed that the Group has a present right to payment from property developers for the service performed and when the property buyer has executed the sales and purchase agreement and made the required down-payment. Therefore, the management of the Group has satisfied that the performance obligation in respective of the comprehensive property consultancy and sales agency service projects in the primary market income is satisfied at a point in time. In addition, few property developer customers may settle a minor portion of the amounts due for a period of more than 1 year. However, the management of the Group has considered that the amount of consideration, the cash price of the property agency services and the prevailing interest rate in the property markets in the PRC, and have satisfied that the financing component is not significant at contract level. Invoices are usually payable within 90 days.	**Impact** HKFRS 15 did not result in significant impact on the Group's accounting policies.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

B. HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") *(Continued)*

Impact of HKFRS 15 *(Continued)*

Note	Service	Nature of the services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
(b)	Pure property planning and consultancy service	Revenue from pure property planning and consultancy service projects is recognised over time when the service is rendered by the Group reach the relevant stages as specified in the contracts and by that time the Group has a present right to payment for the services performed. Invoices for pure property planning and consultancy service are issued on a monthly basis and are usually payable within 90 days.	**Impact** HKFRS 15 did not result in significant impact on the Group's accounting policies.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening accumulated profits at 1 January 2018. Therefore, comparative information would not be restated and continues to be reported under HKAS 11 and HKAS 18. As allowed under HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The Group has reassessed its business model and contract terms to assess the effects of applying the new standard on the Group's financial statements. The management of the Company considered that HKFRS 15 did not result in significant impact on the Group's accounting policies.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The preparation of financial statements in conformity with HKFRS 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 current 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 de-consolidated 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.

Non-controlling interests represent the equity interest in certain operating units of 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, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Foreign currency translation *(Continued)*

(iii) Translation on consolidation *(Continued)*

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 consolidated 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 after taking into account a residual value of 10%, 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.

(e) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(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

A. Accounting policies applied from 1 January 2018

(i) Financial assets at amortised 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 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 and 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)*

A. Accounting policies applied from 1 January 2018 *(Continued)*

(ii) Impairment loss on financial assets at amortised cost

The Group recognises loss allowances for 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)*

A. Accounting policies applied from 1 January 2018 *(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 Group 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 expires.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial Instruments *(Continued)*

B. Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on loans and receivables

The Group assesses, at the end of each reporting period, whether there is any objective evidence that a financial asset is impaired.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of a financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities at amortised cost

Financial liabilities at amortised cost including accruals and other payables are initially measured at fair value, and 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial Instruments *(Continued)*

B. Accounting policies applied until 31 December 2017 *(Continued)*

(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 Group 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 HKAS 39.

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

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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) (A) Revenue recognition (accounting policies applied from 1 January 2018)

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 are 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. Invoices are usually payable within 90 days. In the comparative period, revenue from comprehensive property consultancy and sales agency service projects is recognised when (i) the property developer and property purchasers enter into the relevant sale and purchase agreement; (ii) if required, all ancillary services as stipulated in the agency contracts have been rendered; and (iii) the service is substantially ascertained to the satisfaction of the property developer.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) (A) Revenue recognition (accounting policies applied from 1 January 2018) *(Continued)*

(ii) Pure property planning and consultancy service projects

Revenue are recognised over time, over the period of the agency contracts by 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. Invoices are usually payable within 90 days. In the comparative period, revenue from pure property planning and consultancy service project is recognised when the services rendered by the Group reach the relevant stages as specified in the contracts and the property developers have an obligation to pay for the services.

(iii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) (B) Revenue recognition (accounting policies applied until 31 December 2017)

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Income from comprehensive property consultancy and sales agency service projects is recognised when:

(i) the property developer and property purchasers enter into the relevant sale and purchase agreement;

(ii) if required, all ancillary services as stipulated in the agency contracts have been rendered; and

(iii) the service is substantially ascertained to the satisfaction of the property developer.

Income from pure property planning and consultancy service projects is recognised when the services rendered by the Group reach the relevant stages as specified in the contracts and the property developers have an obligation to pay for the services. 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.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) 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.

(m) Share-based payments

The Group issues equity-settled share-based payments 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)*

(n) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit 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 difference arises 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 difference and it is probable that the temporary difference 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 asset 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.

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)*

(o) Impairment of assets (other than 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.

(p) 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.

(q) 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)*

(r) Related parties

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

(b) Any entity is related to the Group if any of the following conditions apply:

(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 entity 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) Property, plant and equipment and investment properties and depreciation

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 2018 were approximately RMB1,526,000 and RMB3,240,000 respectively (2017: RMB821,000 and RMB3,334,000).

(b) Impairment of trade and other receivables and trade deposits

The Group makes provision for impairment of trade and other receivables and trade deposits 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 balance sheet date.

As at 31 December 2018, accumulated impairment loss for bad and doubtful debts of trade and other receivables and trade deposits amounted to approximately RMB1,253,000, RMB98,000 and RMBNil respectively (2017: RMB1,200,000, RMBNil and RMB500,000).

(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 certain 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 2018, if the RMB had weakened or strengthened 5% (2017: 6%) against the USD with all other variables held constant, consolidated loss after tax for the year would have been approximately RMB839,000 (2017: RMB1,360,000) lower or higher, arising mainly as a result of the foreign exchange gain on 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 action is 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 37% (2017: 33%) of the trade receivables and trade deposits at the end of reporting period.

Trade receivables and other financial assets at amortised cost of the Group 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 measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group measures the expected credit losses on a combination of both individual and collective basis.

Measurement of expected credit loss on individual basis

Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 December 2018, the balance of loss allowance in respect of these individually assessed receivables was RMB1,153,000 (2017: RMB1,100,000).

Measurement of expected credit loss on collective basis

Expected credit losses are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for 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 remaining receivables as at 31 December 2018:

	Expected loss rate (%)	Gross carrying amount (RMB'000)	Loss Allowance (RMB'000)
Current (not past due)	0%	5,911	—
1–30 days past due	1.6%	2,995	48
31–60 days past due	1.9%	1,625	31
61–90 days past due	2.3%	166	4
More than 90 days past due	17.8%	100	17
		10,797	100

6. FINANCIAL RISK MANAGEMENT *(Continued)*

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

Trade receivables *(Continued)*

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 mainly comprise of prepayments, other receivables and other deposits, are measured on 12-months ECL basis. As at 31 December 2018, the balance of loss allowance in respect of other financial assets at amortised cost was RMB98,000 (2017: Nil).

The credit risk on bank and cash balances, and 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 the notes 19 and 20 to the consolidated financial statements.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. An allowance for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indication that the receivable is impaired.

The impact on transition to HKFRS 9 on 1 January 2018 (date of adoption of HKFRS 9) as a result of applying the expected credit risk model was immaterial.

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 maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is less than one year.

(d) Interest rate risk

The Group's exposure to cash flow interest rate risk arises from its bank balances and bank deposits. The bank balances and bank deposits bear interest at variable rates which vary with the then prevailing market condition.

(e) Categories of financial instruments

	2018 **RMB'000**	2017 RMB'000
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)	**65,427**	58,405
Financial liabilities:		
Financial liabilities at amortised cost	**17,013**	8,766

(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:

	2018 RMB'000	2017 RMB'000
Comprehensive property consultancy and sales agency service projects, recognised at a point in time		
Primary geographical markets		
China	**23,840**	24,331
Cambodia	**683**	295
Pure property planning and consultancy service projects, recognised over time		
Primary geographical markets		
China	**1,580**	1,741
	26,103	26,367

The following table provides information about trade receivables from contracts with customers:

	31 December 2018 RMB'000	1 January 2018 RMB'000
Trade receivables	**14,085**	16,659

8. INVESTMENT INCOME AND OTHER GAINS AND LOSSES

	2018 RMB'000	2017 RMB'000
Interest income on bank deposits	**477**	874
Interest income on trade receivables	**532**	—
Loss on disposals and written off of property, plant and equipment	**(11)**	(29)
Net exchange gain/(loss)	**1,147**	(1,491)
Net allowance for trade receivables	**(53)**	(754)
Net allowance for other receivables	**(98)**	—
Reversal of allowance for trade deposits	**500**	223
Sundry (expense)/income	**(20)**	190
Dividend income from available-for-sale financial assets, net	**—**	590
	2,474	(397)

9. SEGMENT INFORMATION

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

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

Revenue from major customers

	2018 RMB'000	2017 RMB'000
Customer a	**11,977**	10,310
Customer b	**8,325**	4,574
Customer c	**N/A(i)**	3,217

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

10. INCOME TAX EXPENSE

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

	2018 RMB'000	2017 RMB'000
Deferred tax and income tax expense (note 23)	**—**	—

No provision for Hong Kong Profits Tax is required since the Company has no assessable profit for both years. The applicable tax rate is 16.5% (2017: 16.5%).

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

No provision for Tax on Profit in our subsidiary in Taiwan is required since the subsidiary has no assessable profit for the year. The applicable tax rate is 18% in the current year.

Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

No PRC enterprise income tax has been made in the current year as the relevant group entities incurred a loss for both years. The applicable PRC enterprise income tax is 25% (2017: 25%).

10. INCOME TAX EXPENSE *(Continued)*

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

	2018 RMB'000	2017 RMB'000
Loss before tax	**(6,904)**	(16,644)
Tax at the domestic income tax rate of 25% (2017: 25%)	**(1,726)**	(4,161)
Tax effect of income that is not taxable	**(383)**	(388)
Tax effect of expenses that are not deductible	**439**	1,052
Tax effect of tax losses not recognised	**745**	2,800
Tax effect of deductible temporary difference not recognised	**544**	275
Tax effect of different tax rates in other tax jurisdictions	**381**	372
Income tax expense	**—**	—

11. LOSS FOR THE YEAR

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

	2018 RMB'000	2017 RMB'000
Auditor's remuneration	**498**	484
Depreciation of property, plant and equipment	**274**	511
Depreciation of investment properties	**94**	94
Loss on disposals and written off of property, plant and equipment	**11**	29
Net exchange (gain)/loss	**(1,147)**	1,491
Operating lease charges on land and buildings	**3,138**	4,071
Allowance/(reversal of allowance) for, net		
— Trade receivables	**53**	754
— Trade deposits (*)	**(500)**	(223)
— Other receivables	**98**	—

(*) Due to improvement of some project developers' ability to pay during the year, there was an improvement of the cash collection from some long aged projects. As a result, allowance made in prior years against trade deposits of RMB500,000 (2017: RMB223,000) was reversed.

12. EMPLOYEE BENEFITS EXPENSE

	2018 RMB'000	2017 RMB'000
Employee benefits expense:		
Salaries, bonuses and allowances	**10,360**	13,541
Retirement benefits scheme contributions	**1,829**	1,825
Equity-settled share-based payments	**1,090**	4,028
	13,279	19,394

The five highest paid individuals in the Group during the year included three (2017: three) directors whose emoluments are reflected in the analysis presented in note 13. The emoluments of the remaining two (2017: two) individuals are set out below:

	2018 RMB'000	2017 RMB'000
Fees, salaries and allowances	**737**	716
Retirement benefit scheme contributions	**15**	38
Equity-settled share-based payments	**32**	699
	784	1,453

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
HK$1,000,001 to HK$2,000,000 (equivalent to RMB846,001 to RMB1,692,000) (2017: equivalent to RMB865,001 to RMB1,730,000)	**–**	1
HK$Nil to HK$1,000,000 (equivalent to RMBNil to RMB846,000) (2017: equivalent to RMBNil to RMB865,000)	**2**	1

13. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments:

The remuneration of every director is set out below:

	Emoluments paid or receivable 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
Name of executive directors					
Mr. Chiang Chen Feng	—	252	—	388	640
Ms. Chang Hsiu Hua	—	216	—	290	506
Mr. Han Lin	—	180	69	243	492
Name of non-executive director					
Ms. Lin Chien Ju	150	—	—	32	182
Name of independent non-executive directors					
Mr. Cui Shi Wei	163	—	—	32	195
Mr. Cheng Chi Pang	163	—	—	32	195
Mr. Lam Chun Choi	122	—	—	—	122
Total for 2018	598	648	69	1,017	2,332
Name of executive directors					
Mr. Chiang Chen Feng	—	756	—	1,090	1,846
Ms. Chang Hsiu Hua	—	576	—	818	1,394
Mr. Han Lin	—	321	34	681	1,036
Name of non-executive director					
Ms. Lin Chien Ju	150	—	—	91	241
Name of independent non-executive directors					
Mr. Ng Wai Hung (Resigned on 19/9/2017)	110	—	—	—	110
Mr. Cui Shi Wei	167	—	—	91	258
Mr. Cheng Chi Pang	167	—	—	91	258
Mr. Lam Chun Choi (Appointed on 19/9/2017)	35	—	—	—	35
Total for 2017	629	1,653	34	2,862	5,178

13. 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 (2017: Nil).

The remuneration of the directors of the Group by band for the years ended 31 December 2018 and 2017 is set out below:

	Number of individuals	
	2018	2017
HK$1,000,001 to HK$2,000,000 (equivalent to RMB846,001 to RMB1,692,000) (2017: equivalent to RMB865,001 to RMB1,730,000)	**—**	3
HK$Nil to HK$1,000,000 (equivalent to RMBNil to RMB846,000) (2017: equivalent to RMBNil to RMB865,000)	**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.

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

Apart from the transaction as disclosed in note 29, 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.

14. 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 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 subsidiary with respect to the central pension scheme is to meet the required contributions under the scheme.

15. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately RMB7,553,000 (2017: RMB16,644,000) and the weighted average number of ordinary shares of 245,593,527 (2017: 244,733,390) in issue during the year.

(b) Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 December 2018 and 2017.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding share options since their exercise would result in a decrease in loss per share from continuing operations.

No diluted earnings per share has been presented because the exercise price of the Company's options was higher than the average market price for shares for both 2018 and 2017.

16. 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 2017	291	1,401	781	2,306	—	4,779
Additions	155	222	—	149	—	526
Disposals/write off	—	(298)	—	—	—	(298)
Exchange differences	(4)	(4)	(6)	—	—	(14)
At 31 December 2017 and 1 January 2018	442	1,321	775	2,455	—	4,993
Additions	184	36	—	—	770	990
Disposals/write off	(1)	(113)	—	—	—	(114)
Exchange differences	4	3	5	—	—	12
At 31 December 2018	629	1,247	780	2,455	770	5,881
Accumulated depreciation and impairment						
At 1 January 2017	226	1,196	514	2,008	—	3,944
Charge for the year	95	58	267	91	—	511
Disposals/write off	—	(269)	—	—	—	(269)
Exchange differences	(4)	(4)	(6)	—	—	(14)
At 31 December 2017 and 1 January 2018	317	981	775	2,099	—	4,172
Charge for the year	90	78	—	29	77	274
Disposals/write off	(1)	(102)	—	—	—	(103)
Exchange differences	3	4	5	—	—	12
At 31 December 2018	409	961	780	2,128	77	4,355
Carrying amount						
At 31 December 2018	220	286	—	327	693	1,526
At 31 December 2017	125	340	—	356	—	821

17. INVESTMENT PROPERTIES

	Land RMB'000	Buildings RMB'000	Total RMB'000
Cost			
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	2,249	1,878	4,127
Accumulated depreciation and impairment			
At 1 January 2017	373	326	699
Charge for the year	51	43	94
At 31 December 2017 and 1 January 2018	424	369	793
Charge for the year	51	43	94
At 31 December 2018	475	412	887
Carrying amount			
At 31 December 2018	1,774	1,466	3,240
At 31 December 2017	1,825	1,509	3,334

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

	2018 RMB'000	2017 RMB'000
Outside Hong Kong:		
Long-term leases	**1,522**	1,568
Medium-term leases	**1,718**	1,766
	3,240	3,334

17. 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 had the Group's investment properties been carried at their fair values, the amount would be approximately RMB10,770,000 (2017: RMB10,180,000).

The Group's finance department is responsible for the fair value measurement of investment properties required for financial reporting purpose. At each financial year-end the finance department 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 prices 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. In estimating the building element of the properties, the depreciated replacement cost approach is adopted. This approach requires an estimate of the new replacement costs of the buildings and structures of the properties from which deductions are then made to allow for age, conditions, and functional obsolescence.

(d) Significant inputs used to determine fair value

As at 31 December 2018, the key assumptions adopted in the valuation in determining fair value were in the following ranges for the Group's portfolio of properties:

Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2018
Price per square metre	RMB4,639 to RMB24,500	Increase	RMB10,770,000

Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2017
Price per square metre	RMB3,976 to RMB25,000	Increase	RMB10,180,000

During the two years, there were no changes in the valuation techniques used.

18. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2018 and 2017 are as follows:

Name	Place of incorporation and date of incorporation	Issued/registered capital	Attributable equity interests 2018	Attributable equity interests 2017	Principal activities
Directly held:					
Fortune Sun (China) Holdings Limited (formerly known as Millstone Developments 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 and agency services and fund management in the PRC
FS352 Fortune-Sun Real Estate Co., Ltd ("FS352") (note c)	Cambodia, 12 January 2017	US$100,000 registered capital	**100%**	100%	Property consultancy and agency services providing for the property market in the Cambodia
Fu Yang International Real Estate Shares Holdings Limited ("Fu Yang International") (note d)	Taiwan, Republic of China 26 November 2018	100,000 ordinary shares of TWD10 each	**100%**	N/A	Property consultancy and agency services

Note:

(a) Shanghai Fortune Sun is a wholly-owned foreign enterprise established in the PRC.

(b) Cornerstone is a sino-foreign equity joint venture established in the PRC.

(c) FS352 is a wholly-owned foreign enterprise established in the Cambodia.

(d) Fu Yang International is a wholly-owned foreign enterprise established in Taiwan, Republic of China.

18. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following table shows information on the subsidiaries that have non-controlling interests ("NCI") material to the Group.

Name	Project Jiangsu 2018	Project Jiangsu 2017	Project Phnom Penh 2018	Project Phnom Penh 2017
Principal place of business	PRC		Cambodia	
% of ownership interests	**33%**	N/A	**11%**	N/A
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accumulated NCI	**4,223**	—	**206**	—
Year ended 31 December:				
Revenue	**12,734**	—	**894**	—
Profit/(loss)	**2,830**	—	**(4,131)**	—
Total comprehensive income	**2,830**	—	**(4,131)**	—
Profit/(loss) allocated to NCI	**1,103**	—	**(454)**	—
Net cash used in operating activities	**(3,653)**	—	**(5,645)**	—
Net cash generated from financing activities	**3,120**	—	**660**	—
Net decrease in cash and cash equivalents	**(533)**	—	**(4,985)**	—

On 1 January 2018, Shanghai Fortune Sun has signed a co-operating agreement with an independent third party to work on two projects in the properties agency markets in the PRC and Cambodia. The independent third party has injected RMB3,120,000 and RMB660,000 for the Project Jiangsu and the Project Phnom Penh, respectively.

19. TRADE RECEIVABLES

	2018	2017
	RMB'000	RMB'000
Trade receivables	**15,338**	17,859
Less: Allowance for trade receivables	**(1,253)**	(1,200)
	14,085	16,659

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

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

	2018	2017
	RMB'000	RMB'000
0 to 90 days	**5,911**	5,644
91 to 180 days	**2,995**	2,519
181 to 365 days	**1,625**	3,555
1 to 2 years	**166**	—
Over 2 years	**3,388**	4,941
	14,085	16,659

19. TRADE RECEIVABLES *(Continued)*

Reconciliation of allowance for trade receivables:

	2018 RMB'000	2017 RMB'000
At 1 January	**1,200**	446
Impairment loss recognised	**553**	1,100
Reversal of allowance for the year	**(500)**	(346)
At 31 December	**1,253**	1,200

At the end of the reporting period, the Group reviewed receivables for evidence of impairment on both an individual and collective basis. Allowance recognised for 2018 and 2017 on trade receivables which were individually impaired customers which are experiencing financial difficulties and are in default or delinquency of payments.

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

As of 31 December 2018, trade receivables of approximately RMB8,174,000 (2017: RMB11,015,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2018 RMB'000	2017 RMB'000
Up to 3 months	**2,995**	2,519
4 to 9 months	**1,625**	3,555
10 to 21 months	**166**	—
More than 21 months	**3,388**	4,941
	8,174	11,015

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

20. TRADE DEPOSITS

	2018 RMB'000	2017 RMB'000
Trade deposits	**500**	1,000
Less: Allowance for trade deposits	**—**	(500)
	500	500

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

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

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

	2018 RMB'000	2017 RMB'000
Over 3 years	**500**	500

Reconciliation of allowance for trade deposits:

	2018 RMB'000	2017 RMB'000
At 1 January	**500**	1,005
Reversal of allowance for the year	**(500)**	(223)
Written off of allowance	**—**	(282)
At 31 December	**—**	500

At the end of the reporting period, the Group reviewed the trade deposits for evidence of impairment on both an individual and collective basis. Allowance recognised for 2018 and 2017 on trade deposits which were individually impaired customers which are experiencing financial difficulties and are in default or delinquency of payments.

20. TRADE DEPOSITS *(Continued)*

As of 31 December 2018, trade deposits of approximately RMB500,000 (2017: RMB500,000) were past due but not impaired. The ageing analysis of these trade deposits is as follows:

	2018 **RMB'000**	2017 RMB'000
Over 1 year or above	**500**	500

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

21. BANK DEPOSITS AND BANK AND CASH BALANCES

As at 31 December 2018, the Group's bank deposits and bank and cash balances included bank deposits held for terms within six months amounted to RMB20,590,000 (2017: RMB22,550,000) and a bank structural deposit held for a term within six months amounted to RMB3,500,000 (2017: RMB4,400,000). The bank structural deposit carries at an expected interest rate of 3.65% per annum and is subject to cash flow interest rate risk. The bank deposits carry at a fixed interest rate of 0.95% (2017: 0.85%) per annum and therefore is subject to fair value interest rate risk.

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

	2018 **RMB'000**	2017 RMB'000
RMB	**11,161**	10,981
USD	**34,675**	23,958
HKD	**3,036**	4,506
NTD	**223**	—
	49,095	39,445

As at 31 December 2018, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to approximately RMB11,161,000 (2017: RMB10,981,000). 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.

22. ACCRUALS AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Housing payments received on behalf of a property developer	**13,113**	1,572
VAT payables	**947**	835
Commission payables	**844**	4,304
Salaries payables	**576**	542
Union fee payables	**636**	599
Others	**897**	914
	17,013	8,766

23. DEFERRED TAX

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

	Deferred revenue RMB'000	Tax losses RMB'000	Deferred expenditure RMB'000	Total RMB'000
At 1 January 2017	3,610	(3,132)	(478)	—
Charge/(credit) to profit or loss	(2,629)	2,373	256	—
At 31 December 2017 and 1 January 2018	981	(759)	(222)	—
(Credit)/charge to profit or loss	534	(545)	11	—
At 31 December 2018	1,515	(1,304)	(211)	—

23. DEFERRED TAX *(Continued)*

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

	2018 RMB'000	2017 RMB'000
Deferred tax liabilities	**1,515**	981
Deferred tax assets	**(1,515)**	(981)
	—	—

At the end of the reporting period the Group had unused tax losses of approximately RMB30,704,000 (2017: RMB23,897,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB5,214,000 (2017: RMB3,036,000) of such losses. No deferred tax asset has been recognised in respect of remaining RMB25,490,000 (2017: RMB20,861,000) due to the unpredictability of future profit streams.

As at 31 December 2018, the Group's tax losses will expire in the following years:

	2018 RMB'000	2017 RMB'000
In 2023	**3,673**	—
In 2022	**9,720**	9,720
In 2021	**8,420**	8,420
In 2020	**420**	420
In 2019	**2,373**	2,373
Indefinite	**6,098**	2,964
	30,704	23,897

Included in the tax losses of approximately RMB24,606,000 (2017: RMB20,933,000), will expire in between 2019 to 2023 (2017: 2018 to 2022). Other 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.

24. SHARE CAPITAL

	Number of ordinary shares '000	Nominal value HK$'000	RMB'000
Authorised:			
Ordinary shares of HK$0.1 each			
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	2,000,000	200,000	206,000
Issued and fully paid:			
Ordinary shares of HK$0.1 each			
At 1 January 2017, 31 December 2017 and 1 January 2018	244,733	24,473	24,276
Exercise of share options	1,450	145	118
At 31 December 2018	246,183	24,618	24,394

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 the 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, buyback 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 2018 and 2017.

The only externally imposed capital requirement for the Group is to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the 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 2018, 43.3% (2017: 43.3%) of the shares were in public hands.

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

(a) Statement of financial position of the Company

	Note	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment		**10**	18
Investments in subsidiaries		**103**	103
		113	121
Current assets			
Prepayments and deposits		**149**	137
Amounts due from subsidiaries		**45,763**	45,764
Bank and cash balances		**769**	1,653
		46,681	47,554
Current liabilities			
Accruals and other payables		**507**	657
Net current assets		**46,174**	46,897
NET ASSETS		**46,287**	47,018
Capital and reserves			
Share capital		**24,394**	24,276
Reserves	25(b)	**21,893**	22,742
TOTAL EQUITY		**46,287**	47,018

Approved by the Board of Directors on 25 March 2019 and are signed on its behalf by:

Chang Hsiu Hua
Director

Han Lin
Director

25. 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 2017	67,674	1,436	(9,341)	(31,012)	28,757
Currency translation differences	—	—	(2,972)	—	(2,972)
Share options lapsed after the vesting period	—	(61)	—	61	—
Equity-settled share-based transaction	—	4,028	—	—	4,028
Loss for the year	—	—	—	(7,071)	(7,071)
At 31 December 2017	67,674	5,403	(12,313)	(38,022)	22,742
At 1 January 2018	67,674	5,403	(12,313)	(38,022)	22,742
Currency translation differences	—	—	824	—	824
Share options lapsed after the vesting period	—	(109)	—	109	—
Exercise of share options	1,945	(653)	—	—	1,292
Expired of share options	—	(1,375)	—	1,375	—
Equity-settled share-based transactions	—	1,089	—	—	1,089
Loss for the year	—	—	—	(4,054)	(4,054)
At 31 December 2018	69,619	4,355	(11,489)	(40,592)	21,893

26. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

26. 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(m) 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.

27. SHARE-BASED PAYMENTS

Equity-settled share option scheme

A post-IPO share option scheme (the "Share Option Scheme A") was adopted pursuant to the written resolution passed by all shareholders of the Company on 10 June 2006. The purpose of the Share Option Scheme A is to empower the directors of the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Share Option Scheme A remains in force for a period of 10 years commencing from 10 June 2006 and had expired.

Another post-IPO share option scheme ("Share Option Scheme B") was also adopted pursuant to the resolutions passed by all Shareholders on 17 June 2016. The purpose of the Share Option Scheme B 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 B will remain in force for a period of 10 years commencing from 17 June 2016.

27. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

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.

The exercise price of the share options is determinable 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 12 March 2008, options to subscribe for an aggregate of 6,000,000 shares of the Company have been granted by the Company to the existing directors and certain key employees of the Group under the Share Option Scheme A. 50% of share options have an exercise period from 12 March 2009 to 11 March 2018 ("Share Option 1") and the remaining share options have an exercise period from 12 March 2010 to 11 March 2018 ("Share Option 2").

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 B. 50% of share options have an exercise period from 19 January 2018 to 18 January 2027 ("Share Option 3") and the remaining share option have an exercised period from 19 January 2019 to 18 January 2027 ("Share Option 4").

Details of the specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price HK$
Share Option 1	12/3/2008	12/3/2008 to 11/3/2009	12/3/2009 to 11/3/2018	1.065
Share Option 2	12/3/2008	12/3/2008 to 11/3/2010	12/3/2010 to 11/3/2018	1.065
Share Option 3	19/1/2017	19/1/2017 to 18/1/2018	19/1/2018 to 18/1/2027	1.130
Share Option 4	19/1/2017	19/1/2017 to 18/1/2019	19/1/2019 to 18/1/2027	1.130

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

27. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

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

	2018		2017	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**12,167,390**	**1.117**	2,472,607	1.065
New options granted	**—**	**—**	10,000,000	1.130
Exercised during the year	**(1,450,000)**	**1.130**	—	—
Forfeited during the year	**(1,250,000)**	**1.130**	(200,000)	1.130
Lapsed during the year	**—**	**—**	(105,217)	1.108
Expired during the year	**(2,367,390)**	**1.065**	—	—
Outstanding at the end of the year	**7,100,000**	**1.130**	12,167,390	1.117
Exercisable at the end of the year	**3,200,000**	**1.130**	2,472,607	1.065

Notes:

The closing share price at the date of exercise for share options exercised during the year was HK$1.13 (2017: HK$1.065). The options outstanding at the end of the year have a weighted average remaining contractual life of 8.1 years (2017: average life of 4.6 years) and the adjusted exercise price of HK$1.13 (2017: adjusted exercise price of HK$1.117).

28. COMMITMENTS

(i) Operating lease commitments

At 31 December 2018 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 **RMB'000**	2017 RMB'000
Within one year	**1,075**	3,349
In the second to fifth years inclusive	**532**	726
	1,607	4,075

The Group leases a number of properties under operating leases. The leases run for an initial period from 1 to 3 years, with an option to renew the lease and renegotiate the terms at the expiry date or dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

(ii) Capital commitment contracted for at the end of the reporting period but not yet incurred is as follows:

	2018 **RMB'000**	2017 RMB'000
Property, plant and equipments	**—**	200

29. RELATED PARTY TRANSACTION

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:

	2018 RMB'000	2017 RMB'000
Rental expense to a related company owned by a director of the Company	**942**	847

30. CONTINGENT LIABILITIES

At 31 December 2018 the Group did not have any significant contingent liabilities (2017: Nil).

31. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the directors on 25 March 2019.

Summary of Financial Information

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

	Year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**26,103**	26,367	23,014	18,328	23,814
Loss for the year attributable to owners of the Company	**(7,553)**	(16,644)	(5,453)	(4,924)	(6,045)

	At 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES					
Total assets	**71,168**	63,529	80,694	79,500	64,941
Total liabilities	**17,013**	8,766	13,093	6,580	16,518
Total equity	**54,155**	54,763	67,601	72,920	48,423

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