# Interim Report 2019

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: 352

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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
(Resigned on 21 June 2019)
Mr. Lam Chun Choi
Mr. Cui Shi Wei
Mr. Chow Yiu Ming
(Appointed on 21 June 2019)

## EXECUTIVE COMMITTEE

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

## AUDIT COMMITTEE

Mr. Chow Yiu Ming *(Chairman)*
(Appointed on 21 June 2019)
Mr. Cui Shi Wei
Mr. Lam Chun Choi

## REMUNERATION COMMITTEE

Mr. Cui Shi Wei *(Chairman)*
Mr. Lam Chun Choi
Mr. Chow Yiu Ming
(Appointed on 21 June 2019)

## NOMINATION COMMITTEE

Mr. Chiang Chen Feng *(Chairman)*
Mr. Lam Chun Choi
Mr. Chow Yiu Ming
(Appointed on 21 June 2019)

## 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

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

# CORPORATE INFORMATION

## 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 54, Hopewell Centre
183 Queen's Road East
Hong Kong

## COMPANY SECRETARY

Mr. Lui Cheuk Wah

## COMPLIANCE OFFICER

Ms. Chang Hsiu Hua

## AUTHORISED REPRESENTATIVES

Ms. Chang Hsiu Hua
Mr. Lui Cheuk Wah

## AUDITOR

Confucius International CPA Limited
Certified Public Accountants

## HONG KONG LEGAL ADVISER

Chiu & Partners

## PRINCIPAL BANKERS

**PRC**
China Minsheng Banking Corporation Limited

**HONG KONG**
OCBC Wing Hang Bank Limited
Bank of Communications Co., Ltd. Hong Kong Branch

## STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

00352

## COMPANY WEBSITE

www.fortune-sun.com

The board (the "Board") of directors (the "Directors") of Fortune Sun (China) Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019 (the "period under review" or the "period") together with the comparative figures for 2018 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*FOR THE SIX MONTHS ENDED 30 JUNE 2019*

| | | Six months ended 30 June | |
|---|---|---|---|
| | Note | **2019 RMB'000 (Unaudited)** | 2018 RMB'000 (Unaudited) |
| **Revenue** | 4 | **6,782** | 14,904 |
| Cost of services rendered | | **(8,607)** | (11,577) |
| **Gross (loss)/profit** | | **(1,825)** | 3,327 |
| Investment income and other gains and losses | | **579** | 797 |
| Operating and administrative expenses | | **(7,606)** | (6,681) |
| Loss before tax | | **(8,852)** | (2,557) |
| Income tax expense | 5 | **—** | — |
| **Loss for the period** | 6 | **(8,852)** | (2,557) |
| **Attributable to** | | | |
| Owners of the Company | | **(6,120)** | (3,665) |
| Non-controlling interests | | **(2,732)** | 1,108 |
| | | **(8,852)** | (2,557) |
| **Loss per share** | 8 | **RMB cents** | RMB cents |
| Basic | | **(2.5)** | (1.5) |
| Diluted | | **N/A** | N/A |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2019*

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| **Loss for the period** | **(8,852)** | (2,557) |
| **Other comprehensive income:** | | |
| *Items that will be reclassified to profit or loss:* | | |
| Exchange differences on translating foreign operations | **71** | 43 |
| **Other comprehensive income for the period, net of tax** | **71** | 43 |
| **Total comprehensive income for the period** | **(8,781)** | (2,514) |
| **Attributable to** | | |
| Owners of the Company | **(6,049)** | (3,622) |
| Non-controlling interests | **(2,732)** | 1,108 |
| | **(8,781)** | (2,514) |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 30 JUNE 2019*

| | Note | 30 June 2019 RMB'000 (Unaudited) | 31 December 2018 RMB'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | **1,395** | 1,526 |
| Investment properties | 10 | **3,194** | 3,240 |
| Golf club membership | | **291** | 291 |
| | | **4,880** | 5,057 |
| **Current assets** | | | |
| Trade receivables | 11 | **10,720** | 14,085 |
| Trade deposits | 12 | **500** | 500 |
| Prepayments and other deposits | | **1,163** | 1,194 |
| Other receivables | | **2,616** | 1,237 |
| Bank deposits | | **26,950** | 24,090 |
| Bank and cash balances | | **8,628** | 25,005 |
| | | **50,577** | 66,111 |
| **Current liabilities** | | | |
| Accruals and other payables | | **8,126** | 17,013 |
| **Net current assets** | | **42,451** | 49,098 |
| **NET ASSETS** | | **47,331** | 54,155 |
| **Capital and reserves** | | | |
| Share capital | 13 | **24,394** | 24,394 |
| Reserves | | **19,342** | 25,332 |
| Equity attributable to owners of the Company | | **43,736** | 49,726 |
| Non-controlling interests | | **3,595** | 4,429 |
| **TOTAL EQUITY** | | **47,331** | 54,155 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*FOR THE SIX MONTHS ENDED 30 JUNE 2019*

| | Attributable to owners of the Company | | | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Merger reserve | Reserve fund | Share-based payment reserve | Foreign currency translation reserve | Accumulated losses | Total | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2018 (Audited) | 24,276 | 67,674 | 14,554 | 16,621 | 5,403 | (2,075) | (71,690) | 54,763 | – | 54,763 |
| Total comprehensive income for the period | – | – | – | – | – | 43 | (3,665) | (3,622) | 1,108 | (2,514) |
| Equity-settled share-based payments | – | – | – | – | 510 | – | – | 510 | – | 510 |
| Injection from Non-controlling interests | – | – | – | – | – | – | – | – | 3,780 | 3,780 |
| Exercise of share options | 118 | 1,945 | – | – | (653) | – | – | 1,410 | – | 1,410 |
| Lapsed of share options | – | – | – | – | (44) | – | 44 | – | – | – |
| Expired of share options | – | – | – | – | (1,375) | – | 1,375 | – | – | – |
| Changes in equity for the period | 118 | 1,945 | – | – | (1,562) | 43 | (2,246) | (1,702) | 4,888 | 3,186 |
| At 30 June 2018 (Unaudited) | 24,394 | 69,619 | 14,554 | 16,621 | 3,841 | (2,032) | (73,936) | 53,061 | 4,888 | 57,949 |
| **At 1 January 2019 (Audited)** | **24,394** | **69,619** | **14,554** | **16,621** | **4,355** | **(2,058)** | **(77,759)** | **49,726** | **4,429** | **54,155** |
| **Total comprehensive income for the period** | **–** | **–** | **–** | **–** | **–** | **71** | **(6,120)** | **(6,049)** | **(2,732)** | **(8,781)** |
| **Equity-settled share-based payments** | **–** | **–** | **–** | **–** | **59** | **–** | **–** | **59** | **–** | **59** |
| **Injection from Non-controlling interests** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **1,898** | **1,898** |
| **Lapsed of share options** | **–** | **–** | **–** | **–** | **(127)** | **–** | **127** | **–** | **–** | **–** |
| **Changes in equity for the period** | **–** | **–** | **–** | **–** | **(68)** | **71** | **(5,993)** | **(5,990)** | **(834)** | **(6,824)** |
| **At 30 June 2019 (Unaudited)** | **24,394** | **69,619** | **14,554** | **16,621** | **4,287** | **(1,987)** | **(83,752)** | **43,736** | **3,595** | **47,331** |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*FOR THE SIX MONTHS ENDED 30 JUNE 2019*

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| **NET CASH USED IN OPERATING ACTIVITIES** | **(15,504)** | (3,613) |
| **NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES** | **(2,842)** | 1,669 |
| **NET CASH GENERATED FROM FINANCING ACTIVITIES** | **1,898** | 5,190 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES** | **71** | 43 |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | **(16,377)** | 3,289 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | **25,005** | 12,495 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY** | **8,628** | 15,784 |
| Bank and cash balances | **8,628** | 15,784 |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 30 JUNE 2019*

## 1. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated interim financial statements should be read in conjunction with the 2018 annual consolidated financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2018 except as stated below.

## 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); HKAS; and its Interpretations. The adoption of these new and revised HKFRSs did not have any significant effect on the condensed consolidated interim financial statements.

## 3. CHANGES IN HKFRSs

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

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019.

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

Other than as explained below regarding the impact of HKFRS 16 Leases, Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures and HK(IFRIC)-Int 23 Uncertainty over Income Tax Treatments, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information.

## 3. CHANGES IN HKFRSs *(Continued)*

### Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities and other payables. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

## 3. CHANGES IN HKFRSs *(Continued)*

### Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

***Right-of-use assets***

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

## 3. CHANGES IN HKFRSs *(Continued)*

### Summary of new accounting policies *(Continued)*

***Lease liabilities***

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

Except as disclosed above, the new or amended HKFRSs that because effective from 1 January 2019 did not have any material impact on the Group's accounting policies.

## 4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in providing property consultancy and sales agency services for the property markets in the People's Republic of China (the "PRC") and Southeast Asia, which is the reportable segment of the Group. Revenue during the period under review and disaggregation of revenue from contracts with customers are as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Comprehensive property consultancy and sales agency service projects, recognised at a point in time | | |
| Primary geographical markets | | |
| PRC | **5,112** | 14,196 |
| Cambodia | **1,080** | 142 |
| Pure property planning and consultancy service projects, recognised at a point over time | | |
| Primary geographical markets | | |
| PRC | **590** | 566 |
| | **6,782** | 14,904 |

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

| | **30 June 2019** | 31 December 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| Trade receivables | **10,720** | 14,085 |

## 4. REVENUE AND SEGMENT INFORMATION *(Continued)*

The Group 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 business in the PRC, and all the assets are substantially located in the PRC. Accordingly, there is only one single reportable segment of the Group which is regularly reviewed by the chief operating decision maker.

The accounting policies of the operating segment are same as those described in the Group's consolidated financial statements for the year ended 31 December 2018.

## 5. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax is required since the Company has no assessable profit for the period under review and the corresponding period last year.

No PRC enterprise income tax has been made in both periods as the relevant group entities incurred a loss for both periods.

No provision for Tax on Profit in the subsidiary of the Company in Cambodia has been made as the subsidiary incurred a loss for both periods.

No provision for Tax on Profit in our subsidiary in Taiwan is required since the subsidiary has no assessable profit for the period under review.

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.

## 6. LOSS FOR THE PERIOD

The Group's loss for the period is arrived at after charging/(crediting):

| | Six months ended 30 June | |
|---|---|---|
| | **2019 RMB'000 (Unaudited)** | 2018 RMB'000 (Unaudited) |
| Auditor's remuneration | **138** | 123 |
| Interest income | **(201)** | (206) |
| Depreciation of property, plant and equipment | **131** | 131 |
| Depreciation of investment properties | **47** | 47 |
| Exchange loss/(gain), net | **44** | (102) |
| Loss on disposals of property, plant and equipment | **—** | 11 |
| Operating lease charges on land and buildings | **1,315** | 1,778 |
| Reversal of allowance for | | |
| — Trade receivables (*) | **(600)** | — |
| — Trade deposits | **—** | (500) |

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

## 7. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the period under review (six months ended 30 June 2018: Nil).

## 8. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately RMB6,120,000 (six months ended 30 June 2018: loss of RMB3,665,000) and the weighted average number of ordinary shares of 246,183,390 (six months ended 30 June 2018: 246,183,390) in issue during the period.

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary share during the period ended 30 June 2019 and 2018.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment of RMB Nil (six months ended 30 June 2018: RMB830,000) and disposed of property, plant and equipment with carrying amount of RMB Nil (six months ended 30 June 2018: RMB11,000).

## 10. INVESTMENT PROPERTIES

All investment properties are located in the PRC. During the period under review, the Group had no addition or disposal of investment properties (six months ended 30 June 2018: Nil).

The Board is of the opinion that, had investment properties been carried at their fair values, the amounts would not be less than the stated carrying amounts as at 30 June 2019. The Board intends to hold those properties to earn rentals and/or for capital appreciation.

## 11. TRADE RECEIVABLES

| | **30 June 2019 RMB'000 (Unaudited)** | 31 December 2018 RMB'000 (Audited) |
|---|---|---|
| Trade receivables | **11,373** | 15,338 |
| Less: Allowance for trade receivables | **(653)** | (1,253) |
| | **10,720** | 14,085 |

The average credit period granted to trade customers is 90 days. The Group seeks to maintain strict control 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 aging analysis of the Group's trade receivables, based on the billing summary and net of allowance, is as follows:

| | **30 June 2019 RMB'000 (Unaudited)** | 31 December 2018 RMB'000 (Audited) |
|---|---|---|
| 0 to 90 days | **4,032** | 5,911 |
| 91 to 180 days | **1,631** | 2,995 |
| 181 to 365 days | **2,420** | 1,625 |
| 1 to 2 years | **284** | 166 |
| Over 2 years | **2,353** | 3,388 |
| | **10,720** | 14,085 |

## 12. TRADE DEPOSITS

| | **30 June 2019 RMB'000 (Unaudited)** | 31 December 2018 RMB'000 (Audited) |
|---|---|---|
| Trade deposits | **500** | 500 |
| Less: Allowance for trade deposits | **—** | — |
| | **500** | 500 |

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

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

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

| | **30 June 2019 RMB'000 (Unaudited)** | 31 December 2018 RMB'000 (Audited) |
|---|---|---|
| Over 3 years | **500** | 500 |

## 13. SHARE CAPITAL

| | Number of ordinary shares | Nominal value | |
|---|---|---|---|
| | '000 | HK$'000 | RMB'000 |
| **Authorised:** | | | |
| Ordinary shares of HK$0.1 each | | | |
| At 31 December 2018 (Audited), 1 January 2019 (Audited) and 30 June 2019 (Unaudited) | 2,000,000 | 200,000 | 206,000 |
| **Issued and fully paid:** | | | |
| Ordinary shares of HK$0.1 each | | | |
| At 31 December 2018 (Audited) and 1 January 2019 (Audited) and 30 June 2019 (Unaudited) | 246,183 | 24,618 | 24,394 |

## 14. COMMITMENTS

### Operating lease commitments

As at 30 June 2019, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | **30 June 2019 RMB'000 (Unaudited)** | 31 December 2018 RMB'000 (Audited) |
|---|---|---|
| Within one year | **1,681** | 1,075 |
| In the second to fifth years inclusive | **183** | 532 |
| | **1,864** | 1,607 |

## 15. RELATED PARTY TRANSACTIONS

The Group had the following transactions with its related parties during the period:

| | Six months ended 30 June | |
|---|---|---|
| | **2019 RMB'000 (Unaudited)** | 2018 RMB'000 (Unaudited) |
| **(i) Compensation of key management personnel of the Group** | | |
| Fees | **299** | 289 |
| Basic salaries and other allowances | **366** | 324 |
| Retirement benefits scheme contributions | **31** | 34 |
| Equity-settled share-based payments | **51** | 489 |
| Total compensation paid to key management personnel | **747** | 1,136 |
| **(ii) Rental payment to a related company owned by a director of the Company** | **490** | 471 |

## 16. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2019 (Unaudited) (31 December 2018: Nil (Audited)).

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

In the first half of 2019, the transaction volume of commercial residential properties has declined as compared with that of the same period in the preceding year, while the structure of urban market had undergone remarkable changes. Especially with the gradual implementation of "city-based policies, category-based regulation", the deviation in the performances of first- and second-tier cities and third- and fourth-tier cities had become increasingly obvious, and the momentum of urban hotspot rotation was still on the rise: the first-tier cities were generally stable, the second-tier cities still took on a remarkable decline, and the third- and fourth-tier cities showed a sign of sharp drop. Currently, great transaction performances were mostly seen in first-tier and top second-tier cities, as well as certain third- and fourth-tier cities with strong economic strength in the Yangtze River Delta and Pearl River Delta, which, however, was not powerful enough to drive the performance of the entire market. From the perspective of monthly development trend, the market tended to be "generally stable": after the low transaction volume in the off-season during the Chinese New Year in February, the transaction volume basically managed to stay at around 45 million square meters in April and May. In terms of business development, due to the structural adjustments last year, our main efforts are currently focused on third- and fourth-tier cities. The Group recorded declining sales in northern Jiangsu Province and Yichang in the Yangtze River Delta as affected by the general market trend.

Since beginning of the interest rate hike cycle of US dollars in 2015, especially after Donald Trump took office as the President of the United States of America (the "US"), the substantive repressions against China's economy escalated twice. With the beginning of the US dollar-dominated cycle after the interest rate hike of US dollars, PRC faced increasing pressure in respect of capital outflow and interest rate hike, and its real economy was struck; in 2017, a series of measures implemented including interest rate hike and tax cut had, whether China follows or not, put PRC in a dilemma of short-term gaps in public tax income, and impeded the implementation of PRC's fiscal policies; and the trade war launched in 2018 directly suppressed PRC's economy through multiple channels.

## BUSINESS REVIEW *(Continued)*

### 1. Interest rate hike of US dollars gathered economic risks, ushering in the window period for economic crisis

After the 1860s, the globalization process accelerated, and the strong performance of US dollars resulting from the interest rate hike will prompt capital to flow back to the US, thus resulting in the depreciation of foreign currencies against US dollar, and causing the countries or enterprises whose main foreign debts were US dollar debts to suffer sharply increased pressure in debt repayment. At the same time, external economies were forced to raise interest rates as well or pierce the bubbles in asset prices accumulated in early economic development, thus resulting in the outbreak of economic crisis.

As can be seen from every influential economic crisis in the past, an US dollar interest rate hike cycle of 1 to 2 years was always ahead of the outbreak of economic crisis.

### 2. The rise of US bond yield may expedite the outbreak of economic crisis

With the interest rate hike of US dollars, US bond yields continued to rise and hit the highest level since 2013, which had caused panic in the bond market and may result in large-scale sell-off in the global bond market, thereby jeopardizing the stock market and expediting the outbreak of global economic risks. In terms of the recent market performance, the US Dow Jones Industrial Average (DJIA) fell sharply, and the stock markets of major economies around the globe declined accordingly.

### 3. US tax cut brought reverse pressure on tax reform, leaving less space for policy-based regulation

The US tax cut weakened the international competitiveness of Chinese companies in disguise, bringing reverse pressure to force China into the dilemma of either cutting tax as well to actively reduce fiscal revenue or not cutting tax to make fiscal revenue passively reduced, thus compressing the space for future fiscal policies. As can be seen from the comparison between the taxation structures of China and US, US, which mainly relies on personal income tax, cut corporate taxes to bring reverse pressure, at the cost of small tax losses, to force China to reduce corporate taxes, thus causing China to lose more fiscal revenue.

## BUSINESS REVIEW *(Continued)*

### 3. US tax cut brought reverse pressure on tax reform, leaving less space for policy-based regulation *(Continued)*

***China-US trade war expedite the decline of China's GDP growth rate***

The China-US trade war resulted in a comprehensive decline in China's investment, consumption, and exports through a number of transmission paths, and eventually caused the GDP growth rate to decline at a higher speed, which, in turn, will trigger the concentrated appearance of the contradictions and conflicts accumulated in the past.

As estimated, the two rounds of additional tariffs imposed by the US on China for US$250.0 billion worth of goods would affect China's GDP by 0.5-0.6 percentage points, and there is a risk that the GDP growth rate may fall below 6%. Therefore, as impacted by a series of measures taken by the US including interest rate hike, tax cut and trade war, the downturn of China's economy was accelerating, and the sales in the primary property markets of some second- and third-tier cities in Mainland China began to decline, which had affected the Group's revenue and resulted in a significant drop in revenue as compared with the corresponding period in 2018.

In terms of sales overseas, the annual report of the National Bank of Cambodia (NBC) shows that the foreign direct investment (FDI) in Cambodia totaled US$3.083 billion in 2018, representing an increase of 12% as compared with US$2.673 billion in the same period last year, and accounting for 12.7% of Cambodia's GDP. The Group is acting as agencies for and developing projects in Cambodia, some of which have entered the implementation stage, with many other projects still in the early investment stage. It is expected that the Group will begin to make profit through the projects in Cambodia when the projects are scaled up in next year and the year thereafter.

## BUSINESS REVIEW *(Continued)*

As such, the Group's revenue from the property consultancy and sales agency services decreased by approximately 56.8%, while the revenue from the pure property planning and consultancy business increased slightly by 4.2%. The unaudited revenue of the Group for the period was approximately RMB6,782,000, representing a decrease of approximately 54.5% as compared with the unaudited revenue of RMB14,904,000 for the same period of last year. In addition, the Company needed to put continued efforts on the promotion of most of the projects, so despite the decline in the real estate market, the Group still had to perform the contracts and continue to promote the projects. Therefore, the promotion cost approximated that of last year, the staff cost was increased along with the increase in the minimum wage, and the overall cost of services decreased by only 25.6% during the period under review. As a result, the Group recorded a gross loss of RMB1,825,000 as compared with the gross profit of approximately RMB3,327,000 for the same period last year. The overall operating and administrative expenses increased by approximately 13.8% during the period under review, mainly due to the increase in staff costs during the period. Thus, the loss for the period attributable to owners of the Company increased to approximately RMB6,120,000 from the loss of approximately RMB3,665,000 for the corresponding period of last year.

During the period under review, most of the Group's recorded revenue was generated from the Group's projects in Jiangsu Province, followed by Hubei Province and Phnom Penh in Cambodia, which represented approximately 43.3%, 32.8% and 17.7% of the Group's total revenue, respectively. On a comparative basis, in the first half of 2018, the Group's recorded revenue was mainly generated from projects in Jiangsu Province, followed by Shanghai and Hubei Province, which represented approximately 49.3%, 43.2% and 6.5% of the Group's total revenue, respectively.

## COMPREHENSIVE PROPERTY CONSULTANCY AND SALES AGENCY BUSINESS

The Group principally provides comprehensive property consultancy and sales agency services for the properties markets with the majority of business in the PRC. During the six months ended 30 June 2019, the Group managed 8 comprehensive property consultancy and sales agency service projects (for the six months ended 30 June 2018: 6 projects) in the PRC and Cambodia. The total gross floor area of the underlying properties sold by the Group acting as the agent was approximately 38,000 square meters (for the six months ended 30 June 2018: 106,000 square meters) in the PRC and Cambodia.

The unaudited total revenue from such comprehensive property consultancy and sales agency service projects was approximately RMB6,192,000 (for the six months ended 30 June 2018: approximately RMB14,338,000), representing approximately 91.3% of the unaudited total revenue of the Group for the period under review (for the six months ended 30 June 2018: 96.2%).

As at 30 June 2019, the Group had 10 comprehensive property consultancy and sales agency service projects on hand (30 June 2018: 9 projects) with a total unsold gross floor area of approximately 505,000 square meters (30 June 2018: approximately 438,000 square meters). As at 30 June 2019, among the 10 projects, sale of the underlying properties of 3 projects had not commenced.

## PURE PROPERTY PLANNING AND CONSULTANCY BUSINESS

During the period under review, the Group has continued to develop its pure property planning and consultancy business in the PRC. For the six months ended 30 June 2019, the Group has provided pure property planning and consultancy services for two property development projects (the six months ended 30 June 2018: 1 project), which generated an aggregate revenue of approximately RMB590,000, representing approximately 8.7% of the unaudited total revenue of the Group (the six months ended 30 June 2018: revenue of approximately RMB566,000 or approximately 3.8%).

## PROSPECTS AND OUTLOOK

### 1. Supply: Independent performances will be recorded in different tiers of cities, and the growth rate and total volume of new supply will drop in third- and fourth-tier cities

As for the second half of the year, we anticipate that the supply volume will continue to keep stable in general, and the supply volume will deviate significantly where different tiers of cities fail to take on relatively different performances.

The supply volume in the third- and fourth-tier cities where the Group's business is located may continue to decline and show greater deviation. As the housing prices in most of the third- and fourth-tier cities have reached the highest level at the current stage, buyers are beginning to take a wait-and-see attitude, and with the tightening of the money-based resettlement policy, the overall purchasing power of the third- and fourth-tier cities is relatively weak, and the decline in the sales rate will directly result in the low enthusiasm of property developers for launching new projects. The deviation in performance between different cities will continue to intensify. For the relatively developed metropolitan cities in the Yangtze River Delta and Pearl River Delta, such as Changzhou, Wenzhou and Nantong, the transaction volume of land keeps high, and the transaction volume in the cities is steadily recovering, so the supply volume is expected to grow. For the third- and fourth-tier cities in the central and western regions with poor economic conditions, the weakening of transaction volume will also lead to a decline in the growth rate and total volume of new supply.

## PROSPECTS AND OUTLOOK *(Continued)*

### 2. Transaction volume: fluctuations and deviations co-exist, and third- and fourth-tier cities will continue the downward trend

Based on the analysis that the supply volume will increase slightly while keeping stable in general, it is expected in the second half of 2019 that the transaction volume in third- and fourth-tier cities will continue the downward trend in the short run due to the over-consumption of demand at the early stage.

The deviations in the market performance of third- and fourth-tier cities will intensify, and the overall transaction volume will decline, with the year-on-year decrease expected to be around 15%. In some third- and fourth-tier cities, as the housing prices have doubled, the purchasing power has been over-consumed, and the proportion of money-based resettlement is gradually decreasing, the transaction volume is bound to be affected, especially in the third- and fourth-tier cities with poor economic base and backward industrial development where significant decreases may be seen. For other third- and fourth-tier cities either affected by the spillover effect of the core cities (Foshan), or with strong endogenous demand (Changzhou, Wuxi), the transaction volume will continue to keep high. In general, the majority of the third- and fourth-tier cities will see declines in performance in 2019, and the annual transaction volume will continue the downward trend.

### 3. Housing prices: deviations will continue in third- and fourth-tier cities in the PRC

In the first half of the year, the housing prices in most third- and fourth-tier cities had reached the highest level at the current stage, the purchasing power of residents was generally weak, and the prospect of future growth was not promising, so it is expected that the housing prices will take on a downward trend, and the deviations in the performance of different cities will intensify. For example, in the cities where the transaction volumes and average prices are rebounding rapidly, such as Tonglu, Zhongshan, Xianghe and Yancheng, with the release of supply volume in the second half of the year, the average transaction prices will rebound; and in the third- and fourth-tier cities in the Yangtze River Delta and Guangdong-Hong Kong-Macau urban agglomeration such as Nantong, Changzhou, Zhuhai, Changshu and Deqing, the supply and demand volume will increase significantly under the support of favorable policies, and we believe that the housing prices there will probably continue to rise.

## PROSPECTS AND OUTLOOK *(Continued)*

### 4. Stock: third- and fourth-tier cities will be exposed to higher risks in stock

The overall pressure assumed by third- and fourth-tier cities in terms of stock is not heavy, and the destocking cycles of most of such cities fall within a reasonable range. With the decrease in the new supply resulting from the gradual rise of the wait-and-see sentiment and the weakness of the purchasing power, it is expected that the urban stock will remain low in the second half of the year. In Changshu, Deqing and other cities with outstanding transaction performance in the first half of the year, the stock may decline thanks to the continued enthusiasm in the market, while in Huizhou, Foshan and other cities with relatively high stock levels, the destocking speed will accelerate remarkably under the support of the favorable policies for the Guangdong-Hong Kong-Macau Greater Bay Area, and the stock pressure is expected to be further relieved.

The management will continue to monitor new opportunities in the property market to enhance sustainable and stable growth of income of the Group. The Group will also continue to encourage employees to actively explore potential new projects and prospective property developers. In addition, the Group will also seek to cut down operating expenses by strengthening budget management and cost control, and to strictly control its cash outflow with an aim to improve the operating performance of the Group in the second half of the year and to drive long-term development of the Group and its employees as a whole, ultimately to create better returns for the shareholders of the Company.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, the Group had unaudited net current assets of approximately RMB42.4 million (31 December 2018: approximately RMB49.1 million), unaudited total assets of approximately RMB55.5 million (31 December 2018: approximately RMB71.2 million) and unaudited shareholders' funds of approximately RMB47.3 million (31 December 2018: approximately RMB54.2 million). The current ratio (calculated by dividing total current assets with total current liabilities) increased from 3.89 as at 31 December 2018 to 6.22 as at 30 June 2019.

As at 30 June 2019, the unaudited bank and cash balances of the Group amounted to approximately RMB8.6 million (31 December 2018: approximately RMB25.0 million).

## INDEBTEDNESS AND CHARGE ON ASSETS

The Group did not have any short or long term borrowing as at 30 June 2019 (31 December 2018: Nil).

The Group had no bank borrowings or overdrafts as at 30 June 2019 (31 December 2018: Nil).

As at 30 June 2019, the gearing ratio (calculated on the basis of total borrowings over total equity) of the Group was 0% (31 December 2018: 0%).

## FOREIGN EXCHANGE RISKS

As the Group's sales are denominated in Renminbi and United States dollar, the Group's purchases and expenses are either denominated in Renminbi, Hong Kong dollar or United States 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 Group's foreign exchange risk exposure and will consider to hedge significant currency risk exposure should the need arise.

## INTEREST RATE RISKS

The Group did not carry any borrowings which are exposed to interest rate risk during the period under review.

## MAJOR INVESTMENTS

The Group had no material investments as at 30 June 2019. As at the date of this interim report, the Group has no future plans for material investments or capital assets.

## CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2019 (31 December 2018: Nil).

## CAPITAL COMMITMENTS

The Group had no material capital commitments as at 30 June 2019 (31 December 2018: Nil).

## STAFF AND GROUP'S EMOLUMENT POLICY

As at 30 June 2019, the Group had a total of 133 staff (31 December 2018: 116 staff).

The emolument policies of the Group are formulated based on the Group's operating results, employees' individual performance, working experience, respective responsibility, merit, qualifications and competence, as well as comparable market statistics and state policies, which are reviewed regularly by the management 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 30 June 2019, 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 (the "SFO") (Chapter 571 of the Laws of Hong Kong)), which had been notified to the Company and The Stock Exchange of Hong Kong Limited (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 Rules Governing the Listing of Securities on the Stock Exchange (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 controlled corporations (Note 2) | 89,659,979 Ordinary Shares (L) | 36.42% |
| | | Beneficial owner and interest of spouse (Note 3) | 1,637,390 Ordinary Shares (L) | 0.67% |
| | | Beneficial owner and interest of spouse (Note 4) | 4,200,000 Ordinary Shares (L) | 1.66% (Note 12) |

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

| Name of Directors | Company/Name of associated corporation | Capacity | Number and class of securities (Note 1) | Approximate percentage of shareholding |
|---|---|---|---|---|
| Ms. Lin Chien Ju ("Ms. Lin") | The Company | Interest of a controlled corporation (Note 5) | 43,722,460 Ordinary Shares (L) | 17.76% |
| | | Beneficial owner (Note 6) | 100,000 Ordinary Shares (L) | 0.04% (Note 12) |
| Mr. Han Lin ("Mr. Han") | The Company | Beneficial owner | 7,051,801 Ordinary Shares (L) | 2.86% |
| | | Beneficial owner (Note 7) | 1,500,000 Ordinary Shares (L) | 0.59% (Note 12) |
| Ms. Chang Hsiu Hua ("Ms. Chang") | The Company | Interest of spouse (Note 8) | 89,659,979 Ordinary Shares (L) | 36.42% |
| | | Beneficial owner and interest of spouse (Note 9) | 1,637,390 Ordinary Shares (L) | 0.67% |
| | | Beneficial owner and interest of spouse (Note 10) | 4,200,000 Ordinary Shares (L) | 1.66% (Note 12) |
| Mr. Cui Shi Wei ("Mr. Cui") | The Company | Beneficial owner (Note 11) | 200,000 Ordinary Shares (L) | 0.08% (Note 12) |

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

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") and Forever Sky Group Limited ("Forever Sky"), the entire issued capital of which was owned by Mr. Chiang. Mr. Chiang was also the director of Active Star and Forever Sky. Mr. Chiang was deemed to be interested in all the Shares in which Active Star and Forever Sky were 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 schemes on 19 January 2017, respectively.

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 schemes on 12 March 2008 and 19 January 2017, respectively.

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

Notes: *(Continued)*

8. Ms. Chang was regarded as interested in all the Shares referred to in note 2 above, in which Mr. Chiang, her husband, was interested by virtue of the SFO.

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 husband, 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 husband respectively by the Company under the share option scheme on 19 January 2017. Ms. Chang was regarded as interested in all the Shares in which Mr. Chiang was interested by virtue of the SFO.

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

12. These percentages are calculated on the basis of 253,083,390 Shares of the Company in issue as at 30 June 2019, assuming that all the then outstanding options granted under the share option schemes had been exercised as at that date.

Save as disclosed above, as at 30 June 2019, 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 30 June 2019, 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% |

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY *(Continued)*

| Name of shareholder | Capacity | Number and class of securities (Note 1) | Approximate percentage of shareholding |
|---|---|---|---|
| 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. Mr. Chiang was 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 30 June 2019, 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.

# DISCLOSURE OF INTERESTS

## SHARE OPTION SCHEMES

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

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

Details of the movements in the Company's outstanding share options granted under the Share Option Scheme for the six months ended 30 June 2019 were as follows:

## SHARE OPTION SCHEMES *(Continued)*

| Category of participant | Number of shares in respect of share options: Outstanding as at 1 January 2019 | Granted during the period | Exercised during the period | Cancelled or lapsed during the period | Outstanding as at 30 June 2019 | 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 | 750,000 | — | — | — | 750,000 | 19/1/2017 | 19/01/2018 to 18/01/2027 | 1.130 | 1.08 |
| | 750,000 | — | — | — | 750,000 | 19/1/2017 | 19/01/2019 to 18/01/2027 | 1.130 | 1.08 |
| | 1,500,000 | — | — | — | 1,500,000 | | | | |
| Lin Chien Ju | 100,000 | — | — | — | 100,000 | 19/1/2017 | 19/01/2019 to 18/01/2027 | 1.130 | 1.08 |
| | 100,000 | — | — | — | 100,000 | | | | |
| Cheng Chi Pang (Resigned on 21 June 2019) | 100,000 | — | — | (100,000) | — | 19/1/2017 | 19/01/2018 to 18/01/2027 | 1.130 | 1.08 |
| | 100,000 | — | — | (100,000) | — | 19/1/2017 | 19/01/2019 to 18/01/2027 | 1.130 | 1.08 |
| | 200,000 | — | — | (200,000) | — | | | | |

## SHARE OPTION SCHEMES *(Continued)*

| Category of participant | Number of shares in respect of share options: Outstanding as at 1 January 2019 | Granted during the period | Exercised during the period | Cancelled or lapsed during the period | Outstanding as at 30 June 2019 | 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$ |
|---|---|---|---|---|---|---|---|---|---|
| Cui Shi Wei | 100,000 | — | — | — | 100,000 | 19/1/2017 | 19/01/2018 to 18/01/2027 | 1.130 | 1.08 |
| | 100,000 | — | — | — | 100,000 | 19/1/2017 | 19/01/2019 to 18/01/2027 | 1.130 | 1.08 |
| | 200,000 | — | — | — | 200,000 | | | | |
| **Employees:** | | | | | | | | | |
| In aggregate | 50,000 | — | — | — | 50,000 | 19/1/2017 | 19/01/2018 to 18/01/2027 | 1.130 | 1.08 |
| | 850,000 | — | — | — | 850,000 | 19/1/2017 | 19/01/2019 to 18/01/2027 | 1.130 | 1.08 |
| | 900,000 | — | — | — | 900,000 | | | | |
| Total | 7,100,000 | — | — | (200,000) | 6,900,000 | | | | |

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 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 interim report) (the "Overriding Limit"). No further options may be granted under the Share Option Scheme if this will result in the Overriding Limit being exceeded.

As at the date of this interim report, options granted under the Share Option Scheme to subscribe for 6,900,000 Shares, representing approximately 2.80% of the issued share capital of the Company, remained outstanding.

## 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 six months ended 30 June 2019.

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

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

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

As at 31 December 2017, all of the net proceeds from the Rights Issue designated for use for the comprehensive property consultancy and sales agency business and designated for use as general working capital had been fully utilised. As at 31 December 2018 and 30 June 2019, approximately 32.9% and 30.7% (equivalent to approximately HK$10.9 million and HK$10.2 million), respectively, of the total net proceeds from the Rights Issue which was designated to be used for the potential establishment of an apartment rental platform in the PRC remained unutilised. As disclosed in the Prospectus, for the 46% of the total net proceeds designated for the potential establishment of an apartment rental platform, approximately 17%, 26% and 3% (equivalent to approximately HK$5.7 million, HK$8.6 million and HK$1.0 million, respectively) was to be applied to the payment of (1) the leasing and property management expenses of the apartments; (2) the purchase costs of the furniture and fixtures; and (3) other miscellaneous costs, respectively, thereof.

# OTHER INFORMATION

The following table sets out the detailed breakdown and description of the use of the net proceeds of the Rights Issue during the year ended 31 December 2018 and the six months ended 30 June 2019:

| Net proceeds raised | Intended use of the net proceeds as previously disclosed in the Prospectus | Actual use of net proceeds during the year ended 31 December 2018 | Intended use and expected timeline of the remaining amount of net proceeds as at 31 December 2018 | Actual use of net proceeds during the period under review | Intended use and expected timeline of the remaining amount of net proceeds as at 30 June 2019 |
|---|---|---|---|---|---|
| HK$15,324,900 (approximately 46% of the net proceeds) for the potential establishment of an apartment rental platform in the PRC | (a) Approximately HK$5.7 million (17% of the total net proceeds) for the leasing and property management expenses of the apartments[Note 1];<br>(b) Approximately HK$8.6 million (26% of the total net proceeds) for the purchase costs of the furniture and fixtures [Note 2]; and<br>(c) Approximately HK$1.0 million (3% of the total net proceeds) for other miscellaneous costs [Note 3]. | Approximately HK$1.2 million (3.7% of the total net proceeds) for the leasing and property management expenses of the apartments. | (a) Approximately HK$2.3 million was intended to be used for the leasing and property management expenses of the apartments by the end of 2021; and<br>(b) Approximately HK$3.5 million (10% of the total net proceeds) was intended to be used for the purchase costs of the furniture and fixtures for two residential properties sub-leasing projects in Ningbo and Jiangsu, the PRC by the end of 2021; and the remaining balance of the unutilised net proceeds in the amount of approximately HK$5.1 million (16% of the total net proceeds) is expected to be fully utilised by or around 2025 [Note 4]. | HK$0.7 million (2% of the total net proceeds) for the leasing and property management expenses of the apartments. | (a) Approximately HK$1.6 million was intended to be used for the leasing and property management expenses of the apartments by the end of 2021; and<br>(b) Approximately HK$3.5 million (10% of the total net proceeds) was intended to be used for the purchase costs of the furniture and fixtures for two residential properties sub-leasing projects in Ningbo and Jiangsu, the PRC by the end of 2021; and the remaining balance of the unutilised net proceeds in the amount of HK$5.1 million (16% of the total net proceeds) is expected to be fully utilised by or around 2025 [Note 4]. |

Notes:

1. During the two years ended 31 December 2017, approximately HK$2.2 million (6.6% of the total net proceeds) was applied to the payment of leasing and property management expenses of aprtments.

2. As at 30 June 2019, the entire portion intended to be applied to the payment of purchase costs of the furniture and fixtures for the establishment of an apartment rental platform had remained unutilised.

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

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

As at 30 June 2019, the entire portion designated to be applied to the payment of purchase costs of the furniture and fixtures for the establishment of an apartment rental platform had remained unutilised; and approximately 10.3% (equivalent to approximately HK$1.6 million) of the net proceeds from the Rights Issue which was intended to be used in the payment of leasing and property management expense of the apartments remained unutilised. The reason for the delay in use of proceeds was principally due to the unstable market conditions since 2016, and that the PRC government has also started to implement restrictions against sub-leasing of residential properties in some cities in the PRC. In light of the unstable market conditions and uncertainty as to whether and how such restrictions will be extended to other cities in the PRC, the Group has since then been cautious in implementing the establishment of such apartment rental platform and has yet to enter into any residential property sub-leasing projects. The Board currently has no intention to change the use of the unutilised net proceeds from the Rights Issue. Instead, the Company is monitoring the market environment and has been waiting for the appropriate timing to implement the plan to establish the apartment rental platform. The Group is in negotiation with property developers in cities such as Nantong, Jiangsu Province and Ningbo, Zhejiang Province for the provision of residential sub-leasing services to two potential residential properties. It is expected that the unutilised net proceeds from the Rights Issue will be fully utilised by the end of 2025, subject to changes in the market conditions, policies and the arising of appropriate opportunities in the market to establish the apartment rental platform in the PRC. The Board will perform strategic review of the Group's business development plan from time to time. Should the Board consider it necessary to revise the Group's business plan so as to capture other market opportunities to diversity its income stream, with a change in the intended use of any portion of the unutilised net proceeds from the Right Issues as previously disclosed, the Company will issue an announcement setting out the details to inform its shareholders and potential investors promptly.

## PUBLIC FLOAT

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

## CORPORATE GOVERNANCE

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 six months ended 30 June 2019.

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

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

## MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (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 six months ended 30 June 2019. The interests held or deemed to be held by individual Directors in the Company's securities as at 30 June 2019 are set out on pages 32 to 35 of this report.

# OTHER INFORMATION

## REVIEW BY AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference pursuant to the requirements of the CG Code and Rule 3.21 of the Listing Rules. The Audit Committee comprises all three existing independent non-executive Directors, namely Mr. Chow Yiu Ming, Mr. Cui Shi Wei and Mr. Lam Chun Choi. Mr. Chow Yiu Ming is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2019 including the accounting, internal control and financial reporting issues. In carrying out this review, the Audit Committee has relied on a review conducted by the Company's external auditor, Confucius International CPA Limited, which has performed certain agreed upon procedures in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agree-upon Procedures Regarding Financial Information" issued by the HKICPA. The findings on the aforementioned agreed-upon procedures have been taken into consideration by the Audit Committee in its review of the interim results and the interim report for the six months ended 30 June 2019.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2019 were approved by the Board on 26 August 2019.

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

Hong Kong, 26 August 2019