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

2019

ANNUAL REPORT

FORTUNE SUN

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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. Cui Shi Wei
Mr. Lam Chun Choi
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

2nd Floor, Century Yard,
Cricket Square,
P.O. Box 902,
Grand Cayman, KY1-1103,
Cayman Islands (effective from 1 April 2020)

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

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited

Second Floor, Century Yard,
Cricket Square,
P.O. Box 902,
Grand Cayman, KY1-1103,
Cayman Islands (Effective from 1 April 2020)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY SECRETARY

Mr. Lui Cheuk Wah

COMPLIANCE OFFICER

Ms. Chang Hsiu Hua

AUTHORISED REPRESENTATIVES

Ms. Chang Hsiu Hua
Mr. Lui Cheuk Wah

AUDITOR

Confucius International CPA Limited
Certified Public Accountants

HONG KONG LEGAL ADVISERS

Chiu & Partners

PRINCIPAL BANKERS

PRC
China Minsheng Banking Corporation Limited

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

STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

00352

COMPANY WEBSITE

www.fortune-sun.com

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors") of Fortune Sun (China) Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019.

In 2019, generally speaking, the policies in the real estate market in China have been further tightened. The Chinese government put its focus on financial risks inherent in real properties and insisted that residential apartments could only be used for the purpose of accommodation but not as tools to stimulate the economy in the short run. Over the year, the control over the capital flow in the real estate industry was consistently stringent. The real estate market was stablised by policies which vary according to the circumstances in different cities, districts and trends. Meanwhile, the operating system of the real estate industry in China improved a lot. The institutional development in terms of residential apartments, land, finance and taxation achieved a remarkable improvement, which laid down a solid foundation for the long-term governance of the real estate industry. The accumulated growth rate of newly built residential apartments in second-tier cities, third-tier cities and fourth-tier cities dropped as compared with the corresponding period last year. The year-on-year increase in the pricing in each of the tiers remained at about 0.5%, which was significantly lower.

In terms of supply and demand, at the national level, between January and October 2019, the sales area of commodity housing across China amounted to 1,330,000,000 square meters, representing a year-on-year growth of 0.1%. At the urban level, between January and November this year, there was a mild adjustment in the sales area of commodity housing in major cities as compared with the figure last year. The year-on-year decrease in representative third-tier cities was significant. The ratio of sales to supply of commodity housing in representative cities was 1.04. The additional supply and demand in the market was relatively balanced. The scale of inventory was steadily increasing in the short run. The time for absorbing the inventory was longer as compared with the end of the previous year.

In terms of the turnover structure, the demand for upgrades was unleashed. As compared with last year, the total number and price of most urban properties rose. Between January and November 2019, the overall scale of demand and supply of land in 300 urban land markets in China remained the same basically as compared with the corresponding period of previous year, and the average transaction price of floor area in residential land rose by about 20%, which was driven by the recovery of the market in the first half of the year on one hand, and the more significant scale of transactions of residential land in first-tier and second-tier cities on the other hand. Furthermore, since more high-quality land parcels became available, there was a structural increase in the average transaction price of floor area across China. In the second half of the year, the supervision over real estate and finance became more stringent. Industrial adjustments were expected to be greater and corporates were subject to greater financing pressure. Influenced by such factors, the level of participation in land bidding became lower. The transaction price of floor area decreased. In respect of land parcels, bidding failures increased. The market sentiment apparently became cooler. Notably, in November, there was an increase in the supply of high-quality land parcels in some cities, and it contributed to an increase in the average transaction price of floor area, but the rate of bidding failures was climbing up to 8.9% gradually, so the overall land market continued to cooling down.

In terms of business performance, between January and November 2019, branded enterprises in the real estate industry managed to capture the market opportunities precisely by targeting at mainstream demand. The overall sales results continued to grow. The sales results of large-scale real estate enterprises showed that such enterprises were growing at a higher rate as compared with the national level. We expect to see a record-breaking sales amount, and we will keep our strong momentum. In terms of land acquisition, corporates became less active but more cautious in investing, so the progress of land acquisition became slower in general. For branded enterprises in the real estate industry, the ratio of acquisition to sales amount became lower as compared with the level in the previous year. In relation to financing, the regulation of real estate and finance was stringent. The scale of financing of real estate enterprises remained at a high level. The consolidated financing costs increased. In terms of strategies, corporates were more adapted to changes in policies of industrial adjustments. By following the trend in selling properties and collecting proceeds actively, our scale is expected to grow steadily.

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 the relevant government authorities, it was expected that the GDP of Cambodia would reach US$26,800,000,000 and the per capita GDP would reach US$1,679 for the year of 2019. The growth rate of GDP would maintain at about 6.5% to 6.8% in 2020. According to the fiscal budget of Cambodia in 2020, to satisfy the long-term development need of the country, their government expenditure will reach US$8,230,000,000 for the year of 2020, representing a year-on-year growth of 22.73%. Although certain commodity goods have been exempted from tax under "Everything but Arms" ("EBA") in the second half of 2020, the trade relationship with China will be strengthened continuously, which will help cover the trade losses in that region.

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 2019, including 12 projects that focused on comprehensive property consultancy and sales agency service. As at 31 December 2019, the Group had a total of 16 executable projects with saleable areas of approximately 784,000 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.

The Group's total comprehensive property consultancy and sales agency services revenue decreased substantially by approximately 47.7%, while the revenue generated solely from real estate planning and consulting business decreased by 1.64%. The audited revenue of the Group for the year was approximately RMB14.4 million, representing a substantial decrease of approximately 44.9% compared to the audited revenue of approximately RMB26.1 million at the same period of the previous year. The Group recorded gross loss of approximately RMB169,000 for the year as compared with the gross profit of approximately RMB4.6 million in the preceding year. The change from gross profit position to gross loss position of the Group despite the cost of sales of the Group for the year under review has decreased by approximately 32.4% as compared with the preceding year was mainly because such decrease could not offset the substantial decrease in revenue by approximately 44.9%, as the cost of services such as marketing expenses and staff costs for some major projects during the year have increased and narrowed the level of decrease in total cost of sales. The overall operating and administrative expenses also increased by approximately 28.8% as compared to last year mainly due to the increase in our staff costs. Thus, the loss for the period attributable to owners of the Company increased to RMB12.4 million from the loss of RMB7.6 million for the corresponding period of last year. The basic loss per share in 2019 was approximately RMB5.05 cents (2018: RMB3.08 cents).

Chairman's Statement

The substantial decrease in revenue recorded by the Group during the year ended 31 December 2019 as compared with the year ended 31 December 2018 was mainly due to the demand for first-hand properties in certain second-tier and third-tier cities in China has declined significantly. The significant decline in demand was mainly attributable to the following factors: (I) the impact of the US-China Trade War; and (II) the Chinese government imposed more conditions on real estate developers and buyers to enhance the level of adjustment, lowering the transaction amount in the real estate market and delaying the sale of certain real estate projects. In general, in 2019, large-scale real estate developers had stronger capital power. Their objective was to complete more deals at a lower price to balance their cash flow. By contrast, the transaction amount of small and medium real estate developers dropped significantly.

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 2020, the Board did not recommend the payment of final dividend for the year ended 31 December 2019.

In 2020, 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

31 March 2020
Hong Kong

DIRECTORS

Executive Directors

Mr. Chiang Chen Feng (江陳鋒), aged 55, 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 54, is an executive Director. Ms. Chang obtained her bachelor's degree in public finance from Feng Chia University (逢甲大學) in Taiwan in June 1988. In 1988, Ms. Chang joined Subaru Motors Co., Ltd. (仲慶汽車有限公司) and was responsible for valuation and insurance matters. In January 1993, she commenced working at Equity Law Firm (衡平法律事務所) and was responsible for legal related matters. Ms. Chang joined Shanghai Fortune Sun as a manager of the finance department in July 1997 and she was appointed as a member of the senior management of Shanghai Fortune Sun in January 2000 and has been responsible for financial management. In August 2005, Ms. Chang was appointed as a director of Shanghai Fortune Sun. She is also a director of three other subsidiaries of the Company. Ms. Chang is the spouse of Mr. Chiang Chen Feng, the Chairman and an executive Director. Ms. Chang is currently the director of Active Star Investment Limited, which has an interest in such number of shares of the Company under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance as disclosed in the section headed "Directors' Report — Substantial Shareholders' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company" in this report.

Mr. Han Lin (韓林), aged 52, 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.

Directors and Senior Management

Non-executive Director

Ms. Lin Chien Ju (林倩如), aged 47, 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 68, has been appointed as an independent non-executive Director since June 2006. Mr. Cui obtained master's degree in Law from the Jilin University in the PRC in July 1986. Mr. Cui was a lecturer at the Law School of Jilin University (吉林大學法學學院) from July 1986 to July 1992. Mr. Cui worked as a senior management member of two nationwide insurance companies and Coastal Greenland Limited (Stock Code: 01124), the shares of which are listed on the Stock Exchange.

Mr. Lam Chun Choi (林俊才), aged 51, has been appointed as an independent non-executive Director since September 2017. Mr. Lam received a bachelor's degree in Social Sciences from the University of Hong Kong in 1990, and qualified as a Hong Kong lawyer in 1997. Mr. Lam provided legal advisory service in international law firms and multinational listed companies. He has over 20 years of experience in corporate finance, company and business-related legal and regulatory compliance.

Mr. Chow Yiu Ming (鄒耀明), aged 46, holds a Bachelor of Business Administration degree, majoring in Accounting and Finance, from the University of Hong Kong and a Master of Science in Professional Accountancy degree from the University of London. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He has been a fellow member of The Hong Kong Institute of Directors since July 2019. He has over 23 years of experience in accounting, auditing, financial management and corporate finance, and had held several senior management positions, including chief financial officer and company secretary, in a number of listed and private companies in Hong Kong. He is currently the chief financial officer and company secretary of Lee's Pharmaceutical Holdings Limited (Stock Code: 950) listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Ms. Wang Jia (王佳), aged 50, 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 25 years of experience in property sales and marketing and is also a holder of Certificate for Real Estate Brokers in Shanghai (上海房地產經紀人證書).

Mr. Lui Cheuk Wah (呂焯華), aged 35, 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

In 2019, generally speaking, the policies in the real estate market in China have been further tightened. The PRC government put its focus on financial risks inherent in real properties and insisted that residential apartments could only be used for the purpose of accommodation but not as tools to stimulate the economy in the short run. Over the year, the control over the capital flow in the real estate industry was consistently stringent. The real estate market was stabilised by policies which vary according to the circumstances in different cities, districts and trends. Meanwhile, the operating system of the real estate industry in China improved a lot. The institutional development in terms of residential apartments, land, finance and taxation achieved a remarkable improvement, which laid down a solid foundation for the long-term governance of the real estate industry. The accumulated growth rate of newly built residential apartments in second-tier cities, third-tier cities and fourth-tier cities dropped as compared with the corresponding period last year. The year-on-year increase in the pricing in each of the tiers remained at about 0.5%, which was significantly lower.

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 the relevant government authorities, it was expected that the GDP of Cambodia would reach US$26,800,000,000 and the per capita GDP would reach US$1,679 for the year of 2019. The growth rate of GDP would maintain at about 6.5% to 6.8% in 2020. According to the fiscal budget of Cambodia in 2020, to satisfy the long-term development need of the country, their government expenditure will reach US$8,230,000,000 for the year of 2020, representing a year-on-year growth of 22.73%. Although certain commodity goods have been exempted from tax under "Everything but Arms" ("**EBA**") in the second half of 2020, the trade relationship with China will be strengthened continuously, which will help cover the trade losses in that region.

During the year ended 31 December 2019, the Group recorded revenue of approximately RMB14.4 million, representing a substantial decrease of approximately 44.9% as compared to the revenue in the corresponding period of last year. Such substantial decrease was mainly due to the substantial decrease in revenue generated from the comprehensive property consultancy and sales agency business of the Group in the PRC by approximately 56.9% during the year under review as compared with the preceding year for reasons further explained in the paragraph headed "Comprehensive property consultancy and sales agency business" below. Revenue from the pure property planning and consultancy business segment of the Group decreased slightly during the year under review by approximately 1.6% as compared with the preceding year for reason further explained in the paragraph headed "Pure property planning and consultancy business" below.

The Group recorded gross loss of approximately RMB169,000 for the year as compared with the gross profit of approximately RMB4.6 million in the preceding year. The change from gross profit position to gross loss position of the Group despite the cost of sales of the Group for the year under review has decreased by approximately 32.4% as compared with the preceding year was mainly because such decrease was not in line with the decrease in revenue by approximately 44.9%, as the cost of services such as marketing expenses and staff costs for some major projects during the year have increased and narrowed the level of decrease in total cost of sales. The overall operating and administrative expenses also increased by approximately 28.8% as compared to last year mainly due to the increase in our staff costs. Thus, the loss for the period attributable to owners of the Company increased to RMB12.4 million from the loss of RMB7.6 million for the corresponding period of last year.

The Group recorded substantial increase in net loss by approximately 141.9% of approximately RMB16.7 million for the year ended 31 December 2019 as compared with net loss of approximately RMB6.9 million in the preceding year. Such substantial increase in net loss was mainly due to the decrease in transaction volume and commission income recorded by the Group during 2019 for reasons explained in the paragraph headed "Comprehensive property consultancy and sales agency business" below, accompanied by the relatively high marketing and advertising costs incurred for some of the projects carried forward from the previous years. In executing the contracts for projects carried forward from the previous years, the Group was required to make extra effort to promote the sale of residential properties units remained unsold for a prolonged period of time and therefore, the Group's profitability during 2019 has been adversely affected.

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 Phnom Penh in Cambodia, which represented approximately 44.4%, 25.5% and 17.8% of the Group's total revenue respectively. On a comparative basis, in 2018, 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 89.2% of the total revenue (2018: approximately 93.9%), while the revenue generated from the pure property planning and consultancy accounted for approximately 10.8% of the total revenue (2018: approximately 6.1%).

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 2019, most of the revenue of the Group was generated from 12 comprehensive property consultancy and sales agency service projects (2018: 12 projects) with approximately 90,236 square meters (2018: approximately 150,259 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 2019 was approximately RMB12,817,000, representing approximately 89.2% of the total revenue of the Group (2018: approximately RMB24,523,000, representing approximately 93.9% of the total revenue).

The substantial decrease in revenue generated by the Group in the PRC from the comprehensive property consultancy and sales agency business by approximately 56.9% during the year under review as compared with the preceding year was mainly due to the following factors:

(1) The global market's desire to make investment has been adversely affected by the trade war between the PRC and the United States. The impact has also inevitably affected the real estate market in the PRC where investors and first-time homebuyer's desire to invest in first-hand properties has been greatly reduced in light of widespread concern that the property market may collapse as a result of the global economic downturn. Given the demand for first-hand properties, whether commercial or residential, has declined substantially, the property developers in the PRC have also postponed the launching of their real estate projects. The direct impact of fewer real estate projects being launched was that the Group has found it more competitive to secure projects that would engage its services and had to lower its commission rate in order to maintain its competitiveness in the market;

(2) In early 2019, the PRC government launched the "One city one policy" (一城一策) to combat unusually high property prices in some of the cities in which the Group has operation. Due to the restrictions and red tapes implemented under the "One city one policy", most of the projects which the Group expected to launch in the first half of 2019 have been postponed and most of the sales execution conducted by the Group during the year under review was for projects carried forward from the preceding year;

(3) Apart from the restriction on the first-hand real estate, pursuant to the "One city one policy" (一城一策), some local municipal governments have also implemented restrictions on, such as the resale of residential properties whereby property owners are prohibited from reselling their properties during a period of up to three years after their purchases, or the purchase of properties whereby criteria are implemented on purchasers in some of the cities. The effect of such restrictions was to reduce the transaction volume in the real estate markets and the liquidity in the property market in such cities. This has also caused delay in the launching of some of the real estate projects; and

(4) In the second half of 2019, some large-scale property developers have reduced the selling price of some of their real estate projects, causing the small and medium sized property developers, including the clients of the Group, to hold up the releasing of their real estate projects in order to avoid competition with the large-scale property developers. This has further reduced the amount of units released by the Group's property developer clients and therefore the demand for the Group's service during the second half of the 2019.

As at 31 December 2019, the Group had 12 comprehensive property consultancy and sales agency service projects on hand with total unsold gross floor areas of approximately 784,000 square meters (2018: approximately 544,000 square meters). Among these 12 projects, sales of the underlying properties of 1 project have not yet commenced as at 31 December 2019.

PURE PROPERTY PLANNING AND CONSULTANCY BUSINESS

During the year ended 31 December 2019, the Group implemented in total 5 pure property planning and consultancy service projects (2018: 5 projects). As a result of the stabilised property market in the PRC, the reported revenue generated from this business segment for the year decreased by approximately 1.6% to approximately RMB1,554,000, representing 10.8% of the total revenue for the year of 2019 (2018: approximately RMB1,580,000, representing 6.1% of the total revenue).

PROSPECTS AND OUTLOOK

Against the backdrop of the outbreak of the novel coronavirus (COVID-19) (the "**Epidemic**"), it is expected that while the revenue of the Group will drop in the short run, it is expected to be steady in the second or the third quarter of the year 2020. The fluctuation in the industry will be limited for the year.

I. The impact of the Epidemic will mainly be reflected in the first quarter, and it is expected that the market will recover gradually in the second or the third quarter, but third-tier and fourth-tier cities and cities most impacted by the Epidemic may take longer time to recover.

1. The market scale will be smaller in the short run.

Short-term adjustments are inevitable, because the real estate market is in the progress of steady adjustment. Further, influenced by the Epidemic, the pressure of economic downturn has become greater. Coupling with the closure of sales counters and agencies, the demand for real properties has been oppressed. In the short run, it is expected that there will be fewer transactions in the real estate market, particularly in the first half of the year.

2. Downward pressure for property price exists, but the level of adjustment will be limited. In general, it will remain steady.

In terms of property price, the demand will be weak in the short run, while real estate enterprises will actively promote and sell properties, which may result in downward pressure for property price. However, the adjustments in property price have taken place steadily in some major cities for some time already. Under the policy of "stabilising property price", there is limited room for a significant drop, so property price will remain at a steady level in general.

3. Missed the opportunity to purchase properties in hometown. The markets in third-tier and fourth-tier cities are subject to greater adjustment pressure.

The domestic demand in first-tier cities, second-tier cities and those stronger third-tier cities of key city cluster is greater. The market is more resilient and such demand may return to the market eventually. For provinces and cities where the Epidemic has caused greater impact, the demand in the real estate market will be restrained more significantly.

II. Since 2019, enterprises have been cautious in land acquisition and there is a consensus to focus on first-tier and second-tier cities.

1. Remained sensible in land acquisition. Enterprises with assets over RMB50 billion to RMB100 billion will enhance their scale of acquisition.

In 2019, the average value of land acquired by 50 representative enterprises (with assets over RMB10 billion) increased slightly by 5.7% year-on-year to RMB41.59 billion. The ratio of acquisition to sale is 27.7%, representing a decrease by 3.7% year-on-year. Among such enterprises, those with assets over RMB50 billion to RMB100 billion are more passionate in land acquisition. The ratio of their acquisition to non-sales amount grew by 4.9% to 36.4%.

2. The focus of land acquisition has shifted to first-tier and second-tier cities, while third-tier and fourth-tier cities account for a lower proportion.

The additional area in first-tier and second-tier cities where the 50 representative enterprises (with assets over RMB10 billion) acquired interest increased by 0.2% and 6.1% year-on-year to 3.1% and 50.1%. In second-tier cities, the proportion has exceeded a half, and in third-tier and fourth-tier cities, the additional area of interest dropped by 6.3% to 46.8%.

III. Short-term capital pressure increased as a result of the epidemic and the peak period of repayment in the industry in 2020.

1. The scale of issuance of overseas bonds has achieved a significant year-on-year growth, and the scale of issuance of domestic company bonds has grown slightly. The scale of trust financing in the real estate industry remains the same basically.

In 2019, overseas bonds issued by corporates with assets over RMB10 billion amounted to RMB454.49 billion, representing a year-on-year growth of 32.2%. The scale of issuance of domestic company bonds amounted to RMB217.4 billion, representing a year-on-year growth of 21.3%. The rate of growth dropped significantly. The total amount of medium-term notes issued amounted to RMB38.5 billion, representing a year-on-year decrease of 58.4%. In 2019, the total trust fund that were invested in the real estate industry amounted to RMB978.57 billion, representing a slight increase of 5.7%.

2. The scale of repayable amount under real estate industrial bonds remains at a high level, so the cash flow of real estate enterprises is subject to challenges.

Currently, the majority of the bonds has entered the phase of repayment. In 2020, the total repayment scale (including overseas bonds) will amount to RMB749.39 billion. In 2021, the scale will exceed RMB1,049.62 billion. In 2022, the repayment scale in the real estate industry will drop to RMB735.0 billion. To avoid insolvency risks, real estate enterprises should be prudent in managing their income and expenditure.

Prior to the outbreak of the Epidemic, the consolidated risk of real estate enterprises could be controlled in general. The impact that real estate enterprises will face after the outbreak of the Epidemic will become clear after several months. Therefore, short-term liquidity problems faced by bond-issuing enterprises should be a top concern. According to the latest financial data published by enterprises, among 32 enterprises whose bonds would expire soon, the net cash flow from operation of 15 enterprises were found to be negative. 11 enterprises of which had a balance of overdue bonds/monetary capital exceeding 20%, and one of which reached 70.34%. If such enterprises are situated at epicenters in third-tier or fourth-tier cities, they will face a big challenge of short-term liquidity.

IV. The transaction volume of the industry is expected to decline but the price will remain stable in 2020. The total area of land supply will be stable with an increase. The policies with regard to finance and adjustments will be relaxed.

1. Estimates about volume and price:

It is estimated that the sales area of new apartments across China will drop by about 10% in 2020, and the decline in the first quarter will be greater. In 2020, there is a lack of driving force for the price of new apartments to rise.

2. Monetary policies:

Affected by the Epidemic, it is estimated that generally there is room for further relaxing the overall monetary and financial policies in 2020.

3. Finance policies:

In the new environment, in the first half of 2020, the finance policies for the real estate industry will be relaxed as compared with the existing regulatory efforts.

4. Housing policies:

In the new environment, in 2020, the adjustment policies with regard to housing will be relaxed as a whole as compared with the existing policies.

In 2020, there is still a number of greater uncertainties in the real estate industry. However, in the long run, there will be both opportunities and challenges in the real estate industry. In addition, the outbreak of the Epidemic in Wuhan of the PRC, as well as the gradually mounting cases of infection reported in countries worldwide created further threats and anxieties. Although the government of the PRC has continuously implemented various and large-scale contingency measures to mitigate the adverse impact of the Epidemic, it is expected that the business environment in the PRC will remain challenging in the near future.

The impact of the Epidemic on the estate agency market in China and the sales and operation of the Group remains uncertain. To save costs, all executive Directors and certain members of the management of the Group are willing to cut down the value of their remuneration package by 20%, with effect from 1 February 2020 for five months. Meanwhile, the Group will continue to tighten our measures on cost control, including but not limited to negotiating with landlords for rent reduction, seeking the most favourable terms from suppliers and enhancing our services. The management of the Company will closely monitor the market situation and adjust our strategies in a timely manner.

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.

Cambodia has also been affected by the Epidemic and, so far as the Company understands, foreign investment activities in Cambodia have been significantly reduced since the outbreak. With demand from foreign investors, being the target customers of the Group's property developer clients' underlying properties in Cambodia, reduced due to the Pandemic, it is expected that the demand for the Group's property consultancy and agency services in 2020 will remain low. Nevertheless, the Group will continue to put its effort in solidifying its foothold in this fast-growing country, with a view to capture market opportunities as and when the market rebounds after the Pandemic is contained.

In 2020, 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 2020 will remain as a year for the Group to broaden sources of income and to minimise expenditures. The management of the Group will endeavour to incentivise 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 2019, the Group had net current assets of approximately RMB34,385,000 (2018: RMB49,098,000), total assets of approximately RMB48,179,000 (2018: RMB71,168,000) and equity attributable to owners of the Company of approximately RMB37,478,000 (2018: RMB49,726,000).

As at 31 December 2019, the bank deposits and bank and cash balances of the Group amounted to approximately RMB28,439,000 (2018: RMB49,095,000).

BANK BORROWINGS AND OVERDRAFTS

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

INDEBTEDNESS AND CHARGE ON ASSETS

The Group did not have any short term borrowing (2018: Nil) nor long term borrowing (2018: Nil) as at 31 December 2019.

As at 31 December 2019, 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% (2018: 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 2019 (2018: Nil).

STAFF AND THE GROUP'S EMOLUMENT POLICY

As at 31 December 2019, the Group had a total of 120 staff (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. The emolument policies of the Group are reviewed by the management of the Group regularly.

MAJOR INVESTMENTS

For the year ended 31 December 2019, save for the investment properties held by the Group as set out in the section headed "Summary of Major Properties" of the annual report, no other significant investment was held by the Group. As at the date of this annual 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 2019 (2018: Nil).

CAPITAL COMMITMENTS

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

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 a pproximately 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.

Other than approximately 28.6% (equivalent to approximately HK$9.5 million) 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 at 31 December 2019, net proceeds in the amount of approximately HK$23.8 million from the Rights Issue have been utilised in accordance with the intended use stated in the Prospectus. As disclosed in the Prospectus, 46% of the total net proceeds was designated for the potential establishment of an apartment rental platform, of which approximately 17%, 26% and 3% (equivalent to approximately HK$5.7 million, HK$8.6 million and HK$1.0 million, respectively) would 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.

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 2019:

Net proceeds raised	Intended use of the net proceeds as previously disclosed in the Prospectus	Actual use of net proceeds during the period under review	Intended use and expected timeline of the remaining amount of net proceeds as at 31 December 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); (b) Approximately HK$8.6 million (26% of the total net proceeds) for the purchase costs of the furniture and fixtures (Note 2); and (c) Approximately HK$1.0 million (3% of the total net proceeds) for other miscellaneous costs (Note 3).	Approximately HK$1.4 million (4.3% of the total net proceeds) for the leasing and property management expenses of the apartments.	(a) Approximately HK$0.9 million was intended to be used for the leasing and property management expenses of the apartments by the end of 2021; and (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. As at 31 December 2018, approximately HK$3.4 million (10.2% of the total net proceeds) had been applied to the payment of leasing and property management expenses of apartments.

2. As at 31 December 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 utilised.

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 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 31 December 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 15.8% (equivalent to approximately HK$0.9 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.

ABOUT THE GROUP

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

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

ABOUT THIS REPORT

Reporting Scope and Reporting Standard

This report is the fourth 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 2019 to 31 December 2019 ("Reporting Year", "2019"). This Report was prepared according to the "comply or explain" provisions of Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The scope of this Report covers the comprehensive property consultancy and sales agency service business operated by the Group in the PRC which is the principal location of the Group's operation. This Report has been passed and approved by the Board of Directors.

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

FEEDBACK

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

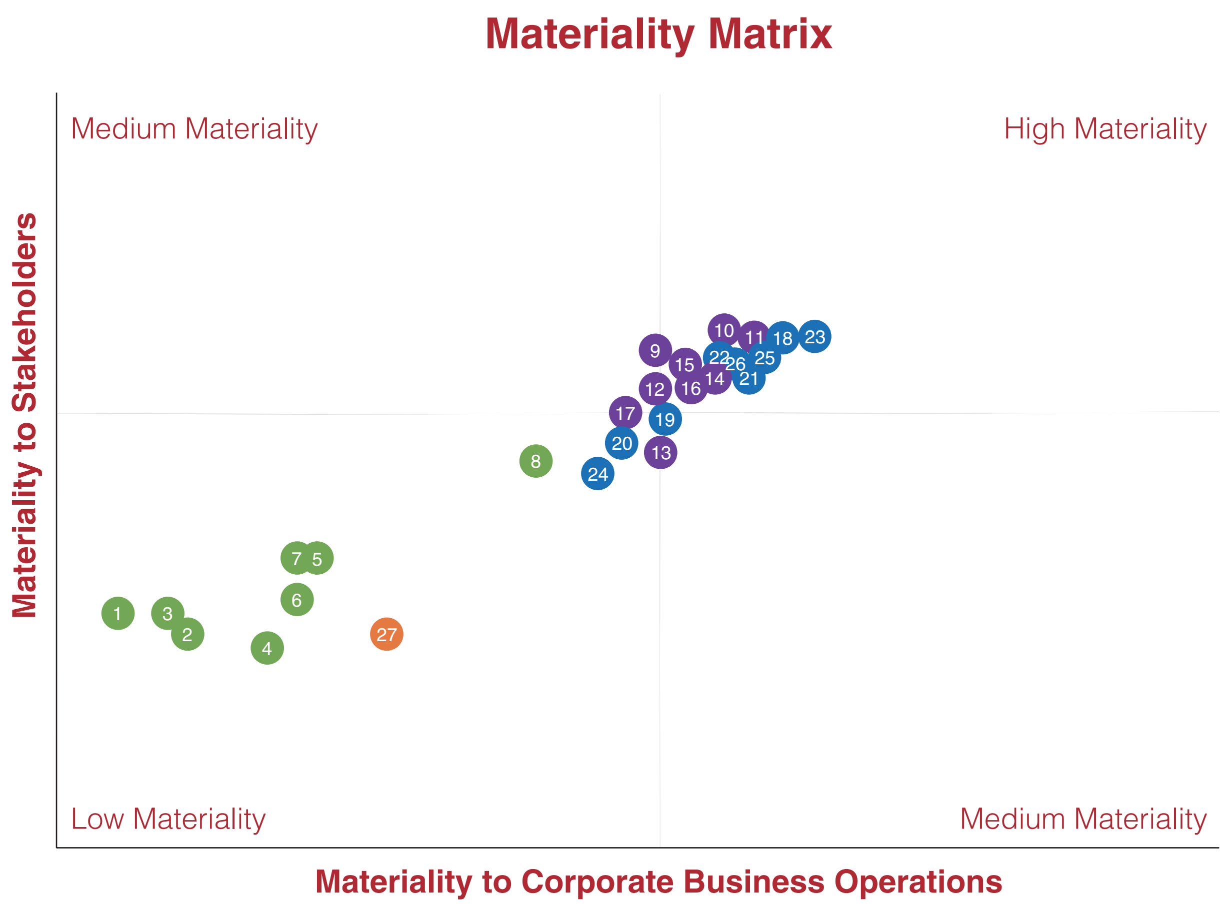
STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

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

To the best of their knowledge, information and belief, our Directors agreed that the result of the materiality assessment (the "assessment") in the Year 2018 was still applicable to the Year 2019. Therefore, this Report adopted the result of the assessment in the Year 2018 and the corresponding methodology is described below.

In order to further identify the materiality of specific ESG issues to the Group, we engaged an independent adviser to assist the Group to determine the relevant ESG 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	Product responsibility and operation standard
1. Gas emission 2. Greenhouse gas emission 3. Climate change 4. Energy efficiency 5. Water & effluents 6. Use of materials 7. Waste management 8. Environmental compliance	9. Labour rights 10. Labour relationship 11. Employee retention 12. Diversity and equal opportunities 13. Anti-discrimination 14. Occupational health and safety 15. Staff training 16. Staff development 17. Prohibition of child labour and forced labour	18. Customer satisfaction 19. Quality of customer service and complaint handling 20. Customer health and safety 21. Compliance with regulations on marketing and product and service labels 22. Intellectual property 23. Customer privacy and confidentiality 24. Responsible supply chain management 25. Business ethics 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' advice and opinions, and take into consideration the valuable suggestions and advice to continuously improve our ESG performance.

RESPONSIBLE BUSINESS OPERATIONS

Protection of customer privacy and corporate information

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

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

Anti-corruption

Business integrity, rigour and professionalism represent not only our unwavering service concepts but also the key factors underpinning our corporate reputation, competitive edge, business success and sustainable growth. Therefore, we exact zero tolerance for any forms of corruption, bribery, extortion, fraud or money laundering, and abide by the anti-corruption laws and regulations of all localities and nations, including the Criminal Law of the 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 minimising the possibility of any corruption. Employees who breach the terms and requirements of anti-corruption, anti-bribery and anti-fraud shall be subject to disciplinary actions, including the termination of employment. 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 any similar cases from recurring.

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

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

CARING FOR EMPLOYEES

Employment

Fortune Sun China is convinced that employees are the driver for the lasting business growth of the Group, and their know-how and experience are an integral part of the Group's continuous innovation, brand promotion and successful practices of efficient marketing management. Therefore, we are committed to increasing employee satisfaction with the Group, enhancing staff training and promoting 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 an assessment based on objective factors such as their competency, experience, qualifications and skills, providing equal opportunities for all employees regardless of gender, race, age, disability, marital status or other grounds, in order to build a fair and diversified workplace featuring mutual respect.

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

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

We value the voice of every employee and encourage our staff to express their opinions and give suggestions 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 it up 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 2019

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

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

Staff development and training

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

All new employees are required to attend induction training during the probation period to familiarise themselves with our culture, business goals, values and constitutional rules so that they can adapt to our working environment and fit in the existing working teams more swiftly. The contents of the training cover our organisational structure, corporate culture and other general introductions, basic job-related processes and knowledge of the post, labour standards and anti-corruption measures, etc. In addition, based on the training requirements of each department and the job level of each employee, we provide all sorts of internal 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 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 training in the future. In order to further motivate staff to participate in the training, the Group has established a point-based training management system, whereby employees can earn points after completion of the training according to the course content and assessment results. The annual accumulated points would 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 fulfilment of personal goals and professional career development. The appraisal results will be linked to employees' promotion assessment. If there is a job vacancy in the Group, we will 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 minimising the social and environmental risks arising from the supply chain, which paves ways to sustainable development.

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

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

ENVIRONMENTAL PROTECTION

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

In providing property consultancy services, the Group will also consider the potential environmental risk and impact of the property development project, including its compliance with local environmental laws and regulations, its environmental protection measures, etc., thus enabling customers to have a thorough understanding of the environmental protection elements and impact of the project.

COMMUNITY ENGAGEMENT

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

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

Emissions

Since the operations of the Group's property consultancy and sales agency business are predominantly office-based, they do not involve any substantial emissions of exhaust gas, wastewater or hazardous or non-hazardous waste during operations[1]. The environmental footprint of the Group's daily operations is mainly comprised of the greenhouse gas ("GHG") emissions generated from the use of purchased electricity, vehicle fuel consumption as well as business trips. During the Reporting Year, the total GHG emission of the Group was 159.99 tonnes of carbon dioxide equivalent (tCO_2e), representing an intensity of 1.33 tCO_2e per employee. We have implemented various energy conservation and emission reduction measures, the details of which are set out below in this section.

	GHG Emissions[2]	Unit	Year 2019	Year 2018
Scope 1	Direct GHG emissions[3]	tCO_2e	6.77	14.53
Scope 2	Indirect GHG emissions from energy consumption[4]	tCO_2e	21.60	33.25
Scope 3	Other indirect GHG emissions[5]	tCO_2e	131.62	36.83
Total		tCO_2e	159.99	84.61
	Intensity[6]	tCO_2e/full-time employee	1.33	0.73

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

2 The greenhouse gas emissions is estimated with reference to GHG Protocol Tool for energy consumption in China (Version 2.1) published by World Resources Institute and 2011–2012 Regional Power Grid Average CO2 Emission Factors in China guideline published by the National Development and Reform Commission of the People's Republic of China.

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

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

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

6 As at 31 December 2019 and 31 December 2018, the total numbers of full-time employees are 120 and 116 respectively.

During the Reporting Year, the significant increase in GHG emissions was caused by the increase in business air travelling. It is also the main source of our GHG emissions. Air travelling is important for us to explore new business opportunities and maintain the relationship with our existing clients. We will continue to keep track of employees' business travelling and the corresponding GHG emission. The Group will encourage the employees to make uses of phone or video conferencing to reduce the emissions from air travel.

Use of resources

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

Electricity saving

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

Water-saving

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

7 The water charges incurred by the operating units of the Group were included in office rents, so no record is available for the actual water consumption.

Reducing the use of paper

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

According to the Management Procedure for the Use of Vehicles, employees intending to use corporate vehicles for work need to submit an application in advance, and the administrative department will arrange vehicles and plan the routes based on the number of passengers and distance to avoid unnecessary transportation as much as practicable. In addition, we try not to use corporate vehicles for picking up employees for business trips. Where vehicles are needed for such purpose, employees are required to gather at one place before departure, so as to reduce the fuel consumed by vehicles. We carry out vehicle maintenance 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 39.97 Megawatt hours (MWh) of electricity, 3,074.88 litres (L) of gasoline and 114.76 kilograms(kg) of paper.

Resource Consumption	Unit	Year 2019	Year 2018
Electricity	MWh	39.97	40.98
Intensity	MWh per employee[8]	0.33	0.35
Vehicle fuel (gasoline)	L	3,074.88	6,038.77
Intensity	L per employee	25.62	52.45
Paper[9]	kg	114.76	361.75
Intensity	kg per employee	0.95	3.12

8 The total number of full time employees as at 31 December 2019 was 120.

9 This figure is derived from the Group's total paper consumption of 23,000 pieces in 2019 and the unit weight of $80g/m^2$.

Compared with the data disclosed in 2018, the consumption of gasoline and paper had a significant decrease of 49% and 68% respectively. On the other hand, there was no significant change in electricity consumption. Moving forward, the Group will continue to implement corresponding resource-saving practices.

APPENDIX — ESG REPORTING GUIDE INDEX

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

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

Subject Areas, Aspects, General Disclosures and Key Performance Indicators ("KPIs")		Policies and Procedures	Explanation/Reference Section
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
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	—	The operations of the Group do not involve packaging material consumption
Aspect A3 The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	—	The operations of the Group have no significant impact on the environment and natural resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	—	The operations of the Group have no significant impact on the environment and natural resources

Subject Areas, Aspects, General Disclosures and Key Performance Indicators ("KPIs")		Policies and Procedures	Explanation/Reference Section
Subject Area B. Social			
Employment and Labour Practice			
Aspect B1 Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Personnel Management Rules and Regulations Remuneration System Employee Handbook	Please refer to the section headed "Caring for Employees" for details
Operating Practices			
Aspect B5 Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Administrative Rules and Regulations Code of Ethics and Code of Conduct for Suppliers	Please refer to the section headed "Management of Suppliers" for details

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

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

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 20 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

As a result of the outbreak of the Epidemic across the PRC in the beginning of 2020, a number of provinces and municipalities in the PRC have taken emergency public health measures and various actions, including travel and transportation restrictions in various cities in the PRC, to prevent the spread of the Epidemic. Such measures have led to extensive disruption to the normal operation of some of the businesses in the PRC, as a result of, among of others, a shortage of workforce. While the impact of the coronavirus outbreak is gradually becoming under control in the PRC as at the date of this announcement, the World Health Organisation declared the outbreak of COVID-19 a pandemic on 12 March 2020 following its spread across the world. If the outbreak remains protracted, the world's economy may be adversely affected and the Group's operating environment will become increasingly challenging. As announced by the Company on 28 February 2020, all of the executive Directors and some of the senior management of the Group have voluntarily agreed to a 20% reduction to their salary package for a period of 5 months will effect from 1 February 2020 to reduce cost. The Board will continue to assess the impact of the outbreak of the Epidemic on the Group's operation and financial performance, and continue to strengthen the Group's cost control measures.

Save as disclosed, the Directors are not aware of any important events affecting the Group that have occurred since the end of the year ended 31 December 2019 and up to the date of this report.

Business review

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

Further discussion and analysis of the business review as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the laws of Hong Kong), including, among others, a description of the principal risks and uncertainties facing the Group and an indication of the likely future development in the Group's business, can be found in the section headed "Management Discussion and Analysis" as set out on pages 10 to 20 of this report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 and the state of affairs of the Company and the Group as at 31 December 2019 are set out in the consolidated financial statements on pages 74 to 142 of this report.

On 31 March 2020, the Directors resolved not to recommend any final dividend to the shareholders of the Company (the "Shareholders") for the year ended 31 December 2019 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 12 June 2020, the register of members of the Company will be closed from Tuesday, 9 June 2020 to Friday, 12 June 2020 (both days inclusive) during which period no transfer of shares will be registered.

In order to qualify for attending and voting at the 2020 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, being the Company's branch share registrar and transfer office in Hong Kong, for registration no later than 4:30 p.m. on Monday, 8 June 2020.

INVESTMENT PROPERTIES

Details of investment properties of the Group are set out in note 19 to the consolidated financial statements as well as the section headed "Summary of Major Properties" on page 144 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 17 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 27 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Company and of the Group are set out in note 28(b) to the consolidated financial statements and the consolidated statement of changes in equity on page 77, 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 2019, the Company's reserves available for distribution amounted to approximately RMB20,621,000 (2018: RMB21,893,000).

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 143 of this report.

DIRECTORS

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

Executive Directors

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

Non-Executive Director

Ms. Lin Chien Ju

Independent Non-Executive Directors

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

Mr. Cheng Chi Pang resigned on 21 June 2019 as independent non-executive Director due to his wish to focus on other career commitments. Mr. Cheng has confirmed that he has no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the Shareholders of the Company.

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. Ms. Chang Hsiu Hua, Mr. Han Lin and Ms. Lin Chien Ju will retire as Directors and, being eligible, offer themselves for re-election as Directors at the 2020 AGM.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION

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

DIRECTORS' SERVICE CONTRACTS

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

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

None of the Directors proposed for re-election at the forthcoming 2020 AGM has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (except for statutory compensation).

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENT

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

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

	Number of individuals	
	2019	2018
HK$Nil to HK$1,000,000 (equivalent to approximately RMBNil to RMB880,000 in 2019 and approximately RMBNil to RMB846,000 in 2018)	**3**	3

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Particulars of a related party transaction is disclosed in note 32 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 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 (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

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

Name of Directors	Company/ Name of associated corporation	Capacity	Number and class of securities (Note 1)	Approximate percentage of shareholding
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)

Notes:

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

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

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

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

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

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

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

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

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

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

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

12. These percentages are calculated on the basis of 253,083,390 Shares of the Company in issue as at 31 December 2019, 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 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 31 December 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)	89,659,979 Ordinary Shares (L)	36.42%
Upwell Assets	Beneficial owner (Note 3)	43,722,460 Ordinary Shares (L)	17.76%
Ms. Lin Shu Chi	Interest of a controlled corporation (Note 3)	43,722,460 Ordinary Shares (L)	17.76%
Honorway Nominees Limited ("Honorway Nominees")	Beneficial owner (Note 4)	19,528,103 Ordinary Shares (L)	7.93%
Honorway Investments Limited	Interest of a controlled corporation (Note 4)	19,528,103 Ordinary Shares (L)	7.93%
Mr. Ho Hau Chong, Norman	Interest of a controlled corporation (Note 4)	19,528,103 Ordinary Shares (L)	7.93%
Ms. Yvette Therese Ma	Interest of spouse (Note 5)	19,528,103 Ordinary Shares (L)	7.93%
Mr. Ho Hau Hay, Hamilton	Interest of a controlled corporation (Note 4)	19,528,103 Ordinary Shares (L)	7.93%
Ms. Sharon Young	Interest of spouse (Note 6)	19,528,103 Ordinary Shares (L)	7.93%

Notes:

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

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

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

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

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

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

Save as disclosed above, as at 31 December 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.

SHARE OPTION SCHEMES

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

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

Details of the movements in the Company's outstanding share options granted under the Share Option Scheme for the year ended 31 December 2019 were as follows:

Category of participant	Number of shares in respect of share options: Outstanding as at 1 January 2019	Exercised during the period	Cancelled or lapsed during the period	Outstanding as at 31 December 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)	–				
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 report) (the "Overriding Limit"). No further options may be granted under the Share Option Scheme if this will result in the Overriding Limit being exceeded.

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

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

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

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

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

As at the date of this report, the total number of Shares available for allotment and issue pursuant to the exercise of options to be granted under the Share Option Scheme is 6,900,000 Shares, representing approximately 2.80% 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 2019, 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 2019, 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 2019.

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 29.4% and 79.4% 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 25.5% and 40.3% 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

Reference is made to the announcement of the Company dated 15 July 2019. BDO Limited ("BDO") resigned as the auditor of the Company with effect from 15 July 2019, as the Company and BDO could not reach a consensus on the audit fee for the financial year ended 31 December 2019, and Confucius International CPA Limited was appointed by the Board as the new auditor of the Company to fill the vacancy following the resignation of BDO until the conclusion of the forth coming annual general meeting of the Company. A resolution will be proposed at the forthcoming 2020 AGM to re-appoint Confucius International CPA Limited as auditor of the Company for the year ending 31 December 2020.

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

Mr. Chiang Chen Feng
Chairman

Hong Kong, 31 March 2020

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance to its healthy growth, and is committed to adopting appropriate corporate governance practices that meet its business needs.

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules. Save for the deviation from code provision A.2.1 of the CG Code as disclosed below, the Directors consider that the Company has complied with the code provisions set out in the CG Code during the year ended 31 December 2019.

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.

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, was absent from the annual general meeting of the Company held on 21 June 2019 due to his other business commitments.

Looking forward, we will continue to conduct reviews on our corporate governance practices from time to time to ensure compliance with the CG Code.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standards set out in the Model Code and the Company's code of conduct during the year ended 31 December 2019. The interests held or deemed to be held by individual Directors in the Company's securities as at 31 December 2019 are set out on pages 47 to 49 of this report.

BOARD OF DIRECTORS

Board composition

The Group is led by and controlled through the Board, which currently consists of three executive Directors, namely Mr. Chiang Chen Feng, Ms. Chang Hsiu Hua and Mr. Han Lin, a non-executive Director, namely Ms. Lin Chien Ju, and three independent non-executive Directors, namely Mr. Chow Yiu Ming, Mr. Cui Shi Wei and Mr. Lam Chun Choi. Mr. Chiang Chen Feng is the chairman of the Board. Their biographical details are set out on pages 7 to 9 of this report.

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

All Directors including the non-executive Directors, are subject to retirement by rotation at annual general meetings of the Company at least once every three years pursuant to article 108(A) of the Articles of Association. During the year under review, Mr.. Chiang Chen Feng, Mr. Cui Shi Wei and Mr. Lam Chun Choi retired by rotation and were re-elected as Directors at the annual general meeting of the Company held on 21 June 2019.

Board's responsibilities and delegation

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

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

Non-executive Directors

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

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

BOARD MEETINGS AND ATTENDANCE

It is intended that the Board should meet regularly for at least four times a year, i.e. at approximately quarterly intervals. Additional meetings of the Board will be convened as and when required. Pursuant to article 133 of the Articles of Association, the Directors may participate in a Board or Board committee meeting either in person or through electronic means of communications. During the year ended 31 December 2019, 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 *(Resigned on 21 June 2019)*	2/4
Mr. Cui Shi Wei	4/4
Mr. Lam Chun Choi	4/4
Mr. Chow Yiu Ming *(Appointed on 21 June 2019)*	2/4

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. The Executive Committee did not convene any meeting during the year ended 31 December 2019.

NOMINATION COMMITTEE

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

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

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

During the year ended 31 December 2019, 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 *(Resigned on 21 June 2019)*	1/1
Mr. Lam Chun Choi	1/1
Mr. Chow Yiu Ming *(Appointed on 21 June 2019)*	0/1

AUDIT COMMITTEE

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

The Audit Committee was set up for the purposes of reviewing and supervising the financial reporting process and internal control procedures of the Group and regulating the financial reporting procedures, internal controls and risk management system of the Group. It is responsible for making recommendations to the Board for the appointment, reappointment or removal of the external auditor; reviewing and monitoring the external auditor's independence and objectivity, as well as reviewing and monitoring the effectiveness of the audit process to make sure that the same is in full compliance with applicable standards.

During the year ended 31 December 2019, the Audit Committee met with the external auditor to review and approve the audit plans and also reviewed the Group's annual results of 2018 and interim results of 2019 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 2019. The Audit Committee convened three meetings during the year ended 31 December 2019. 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 *(Resigned on 21 June 2019)*	2/3
Mr. Cui Shi Wei	3/3
Mr. Lam Chun Choi	3/3
Mr. Chow Yiu Ming *(Appointed on 21 June 2019)*	1/3

REMUNERATION COMMITTEE

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

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

During the year ended 31 December 2019, 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 2019. 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 2019, 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 *(Resigned on 21 June 2019)*	1/1
Mr. Lam Chun Choi	1/1
Mr. Chow Yiu Ming *(Appointed on 21 June 2019)*	0/1

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 *(Resigned on 21 June 2019)*			✓	✓(Hong Kong Resident)
Mr. Cui Shi Wei			✓	✓
Mr. Lam Chun Choi		✓		✓(Hong Kong Resident)
Mr. Chow Yiu Ming *(Appointed on 21 June 2019)*	✓			✓(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 *(Resigned on 21 June 2019)*	✓		✓				✓
Mr. Cui Shi Wei		✓			✓	✓	
Mr. Lam Chun Choi		✓				✓	
Mr. Chow Yiu Ming *(Appointed on 21 June 2019)*			✓				✓

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 *(Resigned on 21 June 2019)*	A, B
Mr. Cui Shi Wei	A
Mr. Lam Chun Choi	A, B
Mr. Chow Yiu Ming *(Appointed on 21 June 2019)*	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 2019, the remuneration payable/paid to Confucius International CPA Limited, the external auditor of the Company, is set out as follows:

Services rendered	Fees payable/paid RMB'000
Audit services	315
Non-audit services	135
Total	450

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 2019, 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 2019 was compiled to cover: (i) the top risks of the Group; and (ii) associated action plans and controls designed to mitigate the top risks, where applicable, at appropriate levels.

C. Internal audit function

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

D. Management's confirmation on risk management

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

COMPANY SECRETARY

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

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

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

Shareholders' enquiries to the Board

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

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

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

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

Putting forward proposals at Shareholders' meeting

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

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

(ii) Other proposals

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

Change in constitutional documents

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

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

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

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

The 2019 annual general meeting was held on 21 June 2019. 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 *(Resigned on 21 June 2019)*	0/1
Mr. Cui Shi Wei	1/1
Mr. Lam Chun Choi	0/1
Mr. Chow Yiu Ming *(Appointed on 21 June 2019)*	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.

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Fortune Sun (China) Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 74 to 142, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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 21 and 22 to the consolidated financial statements) Trade receivables and trade deposits in total represented 25% of the Group's total assets as at 31 December 2019 and were therefore significant to the consolidated financial statements. Provision is made for lifetime expected credit losses on trade receivables and trade deposits. Management applied judgement in assessing the expected credit losses. Trade receivables and trade deposits have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss rates are determined based on historical credit losses experienced from the past 3 years and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables. Trade receivables and trade deposits relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. The impairment 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: • Obtaining an understanding of and assessed the design and implementation of management's key internal controls relating to estimation of expected credit losses; • Assessing, on a sample basis, whether items in the trade debtors' ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with underlying documentation; • Discussing with management about the recoverability of amounts that were past due at the reporting date; • Obtaining an understanding of the key parameters inputs and assumptions of the expected credit loss model adopted by management, including historical default data and estimated loss rates; • Assessing the reasonableness of management's loss allowance estimates by examining the information used by management, including historical settlement pattern, default data, past due status and likely outcome of litigation against customers for overdue amounts, any past year-end payments received up to the date of completing our audit procedures, current market conditions and forward-looking information; and • Re-performing the calculation of the loss allowance based on the Group's credit loss allowance policies.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS’ RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional 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.

Confucius International CPA Limited
Certified Public Accountants
Chan Lap Chi
Practising Certificate Number: P04084

Hong Kong
31 March 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	7	**14,371**	26,103
Cost of sales		**(14,540)**	(21,500)
Gross (loss)/profit		**(169)**	4,603
Investment income and other gains and losses, net	8	**1,503**	2,474
Operating and administrative expenses		**(18,004)**	(13,981)
Finance cost	9	**(33)**	—
Loss before tax		**(16,703)**	(6,904)
Income tax expense	11	**—**	—
Loss for the year	12	**(16,703)**	(6,904)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(12,432)**	(7,553)
Non-controlling interests		**(4,271)**	649
		(16,703)	(6,904)
		RMB cents	RMB cents
Loss per share	16		
— Basic		**(5.05)**	(3.08)
— Diluted		**(5.05)**	(3.08)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
Loss for the year	**(16,703)**	(6,904)
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**125**	17
Other comprehensive income for the year, net of tax	**125**	17
Total comprehensive expense for the year	**(16,578)**	(6,887)
Total comprehensive (expense)/income attributable to:		
Owners of the Company	**(12,307)**	(7,536)
Non-controlling interests	**(4,271)**	649
	(16,578)	(6,887)

Consolidated Statement of Financial Position

As 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	17	**1,247**	1,526
Right-of-use assets	18	**555**	—
Investment properties	19	**3,146**	3,240
Golf club membership		**291**	291
		5,239	5,057
Current assets			
Trade receivables	21	**11,443**	14,085
Trade deposits	22	**500**	500
Prepayments and other deposits		**1,449**	1,194
Other receivables		**1,109**	1,237
Bank deposits	23	**17,911**	24,090
Bank and cash balances	23	**10,528**	25,005
		42,940	66,111
Current liabilities			
Accruals and other payables	24	**8,080**	17,013
Lease liabilities	25	**475**	—
		8,555	17,013
Net current assets		**34,385**	49,098
Total assets less current liabilities		**39,624**	54,155
Non-current liabilities			
Lease liabilities	25	**90**	—
NET ASSETS		**39,534**	54,155
Capital and reserves			
Share capital	27	**24,394**	24,394
Reserves		**13,084**	25,332
Equity attributable to owners of the Company		**37,478**	49,726
Non-controlling interests	20	**2,056**	4,429
TOTAL CAPITAL AND EQUITY		**39,534**	54,155

The consolidated financial statements on pages 74 to 142 were approved and authorised for issue by the Board of Directors on 31 March 2020 and signed on its behalf by:

Chang Hsiu Hua
Director

Han Lin
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital	Share premium (note 29(b)(i))	Merger reserve (note a)	Reserve fund (note b)	Share-based payment reserve (note 29(b)(ii))	Foreign currency translation reserve (note 29(b)(iii))	Accumulated losses	Total	Non-controlling interest	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	24,276	67,674	14,554	16,621	5,403	(2,075)	(71,690)	54,763	—	54,763
Total comprehensive income/(expense) for the year	—	—	—	—	—	17	(7,553)	(7,536)	649	(6,887)
Lapsed of share options	—	—	—	—	(109)	—	109	—	—	—
Exercise of share options	118	1,945	—	—	(653)	—	—	1,410	—	1,410
Expired of share options	—	—	—	—	(1,375)	—	1,375	—	—	—
Recognition of equity-settled share-based payments transactions	—	—	—	—	1,089	—	—	1,089	—	1,089
Injection from non-controlling interests	—	—	—	—	—	—	—	—	3,780	3,780
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
At 1 January 2019	24,394	69,619	14,554	16,621	4,355	(2,058)	(77,759)	49,726	4,429	54,155
Total comprehensive income/(expense) for the year	—	—	—	—	—	125	(12,432)	(12,307)	(4,271)	(16,578)
Lapsed of share options	—	—	—	—	(127)	—	127	—	—	—
Recognition of equity-settled share-based payments transactions	—	—	—	—	59	—	—	59	—	59
Injection from non-controlling interests	—	—	—	—	—	—	—	—	1,898	1,898
Changes in equity for the year	—	—	—	—	(68)	125	(12,305)	(12,248)	(2,373)	(14,621)
At 31 December 2019	24,394	69,619	14,554	16,621	4,287	(1,933)	(90,064)	37,478	2,056	39,534

Note:

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

b. The reserve fund is set up by way of appropriation from the profit after tax in accordance with the relevant laws and regulations in the People's Republic of China (the "PRC"). The rate of appropriation to the reserve fund is subject to the decision of the board of directors of 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 2019

	Notes	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES			
Loss before tax		**(16,703)**	(6,904)
Adjustments for:			
Interest income		**(472)**	(1,009)
Depreciation of property, plant and equipment	17	**259**	274
Depreciation of right-of-use assets	18	**765**	—
Depreciation of investment properties	19	**94**	94
Equity-settled share-based payments		**59**	1,089
Finance cost	9	**33**	—
(Gain)/loss on disposals and written off of property, plant and equipment		**(41)**	11
Provision of allowance for other receivables, net		**30**	98
(Reversal of)/provision of allowance for trade receivables, net		**(466)**	53
Reversal of allowance for trade deposits		**—**	(500)
Operating loss before working capital changes		**(16,442)**	(6,794)
Decrease in trade receivables		**3,127**	2,521
Decrease in trade deposits		**—**	500
Increase in prepayments and other deposits		**(250)**	(191)
Decrease in other receivables		**197**	140
(Decrease)/increase in accruals and other payables		**(9,020)**	8,247
Net cash (used in)/generated from operating activities		**(22,388)**	4,423
INVESTING ACTIVITIES			
Proceed on disposal of property, plant and equipment		**62**	—
Purchases of property, plant and equipment		**—**	(457)
Decrease in bank deposits		**6,179**	2,860
Interest received		**378**	477
Net cash flows generated from investing activities		**6,619**	2,880

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
FINANCING ACTIVITIES			
Proceeds from exercise of share options		—	1,410
Capital injection from non-controlling interests		**1,898**	3,780
Repayment of lease liabilities		**(788)**	—
Net cash generated from financing activities		**1,110**	5,190
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(14,659)**	12,493
Effect of foreign exchange rate changes		**182**	17
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		**25,005**	12,495
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER		**10,528**	25,005
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	23	**10,528**	25,005

1. GENERAL INFORMATION

Fortune Sun (China) Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 28 January 2003 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is 2nd Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman KY1-1103, Cayman Islands (effective from 1 April 2020). The address of its principal place of business in Hong Kong is 16th Floor, Sun Life Tower, The Gateway, Harbour City, 21 Canton Road, Tsim Sha Tsui, Hong Kong and its head office is located at Unit 901, 9th Floor, Orient Building, No. 1500 Century Avenue, Pudong New District, Shanghai, the People's Republic of China (the "**PRC**"). The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 5 July 2006.

The Company is an investment holding company. The Group is principally engaged in providing property consultancy and sales agency services for the property markets in the PRC and Southeast Asia.

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

2. BASIS OF PREPARATION

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

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

3. ADOPTION OF NEW AND AMENDMENTS TO 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 and amendments to HKFRSs — effective on 1 January 2019

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
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
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

HKFRS 16 — Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, Determining whether an arrangement contains a lease, HK(SIC) 15, Operating leases — Incentives, and HK(SIC) 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessee, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

(a) Adoption of new and amendments to HKFRSs — effective on 1 January 2019 *(Continued)*

HKFRS 16 — Leases *(Continued)*

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was approximately 3.66% p.a..

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

(a) Adoption of new and amendments to HKFRSs — effective on 1 January 2019 *(Continued)*

HKFRS 16 — Leases *(Continued)*

Lessee accounting and transitional impact (Continued)

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	1,607
Lease liabilities discounted at relevant incremental borrowing rates	1,549
Less: Practical expedient — leases with lease term ending within 12 months from the date of initial application	(237)
Lease liabilities as at 1 January 2019	1,312
Analysed as:	
Current	747
Non-current	565
	1,312

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

(a) Adoption of new and amendments to HKFRSs — effective on 1 January 2019 *(Continued)*

HKFRS 16 — Leases *(Continued)*

Lessee accounting and transitional impact (Continued)

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amounts previously reported at 31 December 2018 RMB'000	Adjustments RMB'000	Carrying amounts under HKFRS 16 at 1 January 2019 RMB'000
Non-current assets			
Right-of-use assets	—	1,312	1,312
Current liabilities			
Lease liabilities	—	747	747
Non-current liabilities			
Lease liabilities	—	565	565

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

(a) Adoption of new and amendments to HKFRSs — effective on 1 January 2019 *(Continued)*

HKFRS 16 — Leases *(Continued)*

Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("**leasehold investment properties**"). The adoption of HKFRS 16 does not have a significant impact on the Group's consolidated financial statements as the Group previously elected to apply HKAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes.

Lessor accounting

In addition to leasing out the investment property as above, the Group leases out properties as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's consolidated financial statements in this regard.

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

HK(IFRIC)-Int 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires the Group to determine whether uncertain tax positions are assessed separately or as a group and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by individual group entities in their respective income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

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

(a) Adoption of new and amendments to HKFRSs — effective on 1 January 2019 *(Continued)*

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that for the purpose of assessing whether a prepayment feature meets the condition of representing solely payments of principal and interest on the principal amount outstanding ("**SPPI**"), the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason i.e. prepayment features with negative compensation do not automatically fail SPPI.

Amendments to HKAS 19 — Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). The change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is recognised in other comprehensive income.

In addition, the Group is required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under paragraph 99 of HKAS 19 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

Amendments to HKAS 28 — Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies HKFRS 9 Financial Instruments ("**HKFRS 9**"), including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied that form part of the net investment in the investee. Furthermore, in applying HKFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by HKAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

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

(a) Adoption of new and amendments to HKFRSs — effective on 1 January 2019 *(Continued)*

Annual Improvements 2015–2017 Cycle — Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

The annual improvement packages amended the following four standards.

HKAS 12 Income Taxes

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

HKAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

HKFRS 3 Business Combinations

The amendments clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at fair value. The previously held interest to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

HKFRS 11 Joint Arrangements

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its previously held interest in the joint operation.

The application of above new and amended HKFRSs in the current period has no material effect on the amounts reported and/or disclosures set out in these consolidated financial statements.

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

(b) New and amendments to HKFRSs that have been issued but are not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

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

(b) New and amendments to HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 17 — Insurance Contracts

HKFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4 Insurance Contracts.

HKFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees.

The implementation of HKFRS 17 is likely to bring significant changes to an entity's processes and systems, and will require much greater co-ordination between many functions of the business, including finance, actuarial and information technology.

The standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. The International Accounting Standards Board ("**IASB**") proposed a one year deferral of the effective date for IFRS 17 and extend the temporary exemption for insurers to apply IFRS 9 Financial Instruments. The relevant amendments have not been finalised yet. Finalisation of the relevant amendments by the IASB is expected to have similar deferral on HKFRS 17 (the equivalent of IFRS 17).

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the standard, and the transition date is the beginning of the period immediately preceding the date of initial application. The Directors do not anticipate that the application of the standard in the future will have an impact on the Group's consolidated financial statements.

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

(b) New and amendments to HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKFRS 3 — Definition of a Business

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;
- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

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

(b) New and amendments to HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKAS 1 and HKAS 8 — Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — Interest Rate Benchmark Reform

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in HKFRS 9 and HKAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments. There are also amendments to HKFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform.

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

(b) New and amendments to HKFRSs that have been issued but are not yet effective *(Continued)*

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

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 consolidated financial statements.

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 consolidated 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

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. Noncontrolling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling interests and owners for the Company.

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

(b) Foreign currency translation

(i) Functional and presentation currency

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Foreign currency translation *(Continued)*

(iii) Translation on consolidation

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leases (Accounting policies applied from 1 January 2019)

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leases (Accounting policies applied from 1 January 2019) *(Continued)*

The Group as a lessee *(Continued)*

Right-of-use assets (Continued)

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

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leases (Accounting policies applied from 1 January 2019) *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities (Continued)

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review or a change in expected payment under a residual value guarantee, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leases (Accounting policies applied from 1 January 2019) *(Continued)*

The Group as a lessor

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

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income recognised in accordance with note 4(k)(iv).

The Group as a lessee

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 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

(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 fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains 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)*

(ii) Impairment loss on financial assets at amortised cost

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial Instruments *(Continued)*

(iii) Financial liabilities at amortised cost

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

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

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Derecognition

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Trade and other receivables

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

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

(i) Trade deposits

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

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

(j) Cash and cash equivalents

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Revenue recognition

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

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

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

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

(i) Comprehensive property consultancy and sales agency services

Revenue 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Revenue recognition *(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.

(iii) Interest income

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

(iv) Rental income

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

(l) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Employee benefits *(Continued)*

(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.

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Taxation *(Continued)*

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.

(o) Impairment of non-financial assets

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

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

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

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

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the 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) Useful lives of property, plant and equipment and investment properties

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

The carrying amount of property, plant and equipment and investment properties as at 31 December 2019 were approximately RMB1,247,000 and RMB3,146,000 respectively (2018: RMB1,526,000 and RMB3,240,000 respectively).

(b) Allowance for trade receivables, other receivables and trade deposits

The Group makes allowance for trade receivables, 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 end of reporting period.

As at 31 December 2019, accumulated allowance for ECL of trade receivables, other receivables and trade deposits amounted to approximately RMB787,000, RMB128,000 and RMBNil respectively (2018: RMB1,253,000, RMB98,000 and RMBNil respectively).

(c) Income taxes

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

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

The Group has limited exposure to foreign currency risk as most of its business transactions, assets and liabilities, except for 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 2019, if the RMB had weakened or strengthened 5% (2018: 5%) against the USD with all other variables held constant, consolidated loss after tax for the year would have been approximately RMB914,000 (2018: RMB839,000) 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 21% (2018: 37%) 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 2019, the balance of loss allowance in respect of these individually assessed receivables was RMB651,000 (2018: RMB1,153,000).

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 2019:

	Expected loss rate *(%)*	Gross carrying amount (RMB'000)	Loss allowance (RMB'000)
Current (not past due)	0%	4,099	—
Up to 3 months past due	1.6%	3,539	57
4 to 9 months past due	1.9%	1,302	25
10 to 21 months past due	2.3%	284	7
More than 21 months past due	17.8%	265	47
		9,489	136

6. FINANCIAL RISK MANAGEMENT *(Continued)*

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

Trade receivables *(Continued)*

Measurement of expected credit loss on collective basis (Continued)

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	—
Up to 3 months past due	1.6%	2,995	48
4 to 9 months past due	1.9%	1,625	31
10 to 21 months past due	2.3%	166	4
More than 21 months past due	17.8%	100	17
		10,797	100

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 other receivables and other deposits, are measured on 12-months ECL basis. As at 31 December 2019, the balance of loss allowance in respect of other financial assets at amortised cost was RMB128,000 (2018: RMB98,000).

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 21 and 22 respectively to the consolidated financial statements.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk

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

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

	Weighted average interest rate %	Within 1 year or on demand RMB'000	More than 1 year RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount at 31 December 2019 RMB'000
Non-derivative financial liabilities					
Accruals and other payables	—	8,080	—	8,080	8,080
Lease liabilities	3.66	486	92	578	565
		8,566	92	8,658	8,645

	Weighted average interest rate %	Within 1 year or on demand RMB'000	More than 1 year RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount at 31 December 2018 RMB'000
Non-derivative financial liabilities					
Accruals and other payables	—	17,013	—	17,013	17,013

(d) Interest rate risk

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

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)	**42,047**	65,427
Financial liabilities:		
Financial liabilities at amortised cost	**8,645**	17,013

(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:

	2019 RMB'000	2018 RMB'000
Comprehensive property consultancy and sales agency service projects, recognised at a point in time		
Primary geographical markets:		
China	**10,274**	23,840
Cambodia	**2,543**	683
Pure property planning and consultancy service projects, recognised over time		
Primary geographical markets:		
China	**1,554**	1,580
	14,371	26,103

8. INVESTMENT INCOME AND OTHER GAINS AND LOSSES, NET

	2019 RMB'000	2018 RMB'000
Interest income on bank deposits	**378**	477
Interest income on trade receivables	**94**	532
Gain/(loss) on disposals and write-off of property, plant and equipment	**41**	(11)
Net exchange gain	**366**	1,147
Rental income	**80**	—
Reversal of/(provision of) allowance for trade receivables, net	**466**	(53)
Provision of allowance for other receivables	**(30)**	(98)
Reversal of allowance for trade deposits	**—**	500
Sundry income/(expense)	**108**	(20)
	1,503	2,474

9. FINANCE COST

	2019 RMB'000	2018 RMB'000
Interest on lease liabilities	**33**	—

10. SEGMENT INFORMATION

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

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

10. SEGMENT INFORMATION *(Continued)*

Revenue from major customers

	2019 RMB'000	2018 RMB'000
Customer A	**4,230**	11,977
Customer B	**2,116**	8,325
Customer C	**2,472**	N/A(i)
Customer D	**1,447**	N/A(i)

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

11. INCOME TAX EXPENSE

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

	2019 RMB'000	2018 RMB'000
Deferred tax and income tax expense (note 26)	**—**	—

No provision for Hong Kong Profits Tax is required since the Company has no assessable profit for both years. The applicable tax rate in Hong Kong is 16.5% (2018: 16.5%).

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% (2018: 25%).

No provision for Tax on Profit is required for the subsidiary in Cambodia as the subsidiary incurred a loss for both years. The applicable tax rate in Cambodia is 20% (2018: 20%) in the current year.

11. INCOME TAX EXPENSE *(Continued)*

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

	2019 **RMB'000**	2018 RMB'000
Loss before tax	**(16,703)**	(6,904)
Tax at the PRC income tax rate of 25% (2018: 25%)	**(4,176)**	(1,726)
Tax effect of income that is not taxable	**(167)**	(383)
Tax effect of expenses that are not deductible	**602**	439
Tax effect of tax losses not recognised	**2,802**	745
Tax effect of deductible temporary difference not recognised	**611**	544
Tax effect of different tax rates in other tax jurisdictions	**328**	381
Income tax expense for the year	**—**	—

12. LOSS FOR THE YEAR

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

	2019 **RMB'000**	2018 RMB'000
Auditor's remuneration	**450**	498
Depreciation of property, plant and equipment	**259**	274
Depreciation of investment properties	**94**	94
Depreciation of right-of-use assets	**765**	—
(Gain)/loss on disposals and write-off of property, plant and equipment	**(41)**	11
Net exchange gain	**(366)**	(1,147)
Lease charges on land and buildings previously classified as operating leases under HKAS 17	**—**	3,138
Gross rental income from investment properties less direct outgoings of RMBNil (2018: RMB Nil)	**(80)**	—
Provision of allowance/(reversal of allowance) for, net		
— Trade receivables(*)	**(466)**	53
— Trade deposits	**—**	(500)
— Other receivables	**30**	98

(*) Due to improvement of some project developers' ability to pay during the year 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.

13. EMPLOYEE BENEFITS EXPENSE

	2019 RMB'000	2018 RMB'000
Employee benefits expense:		
Salaries, bonuses and allowances	**11,907**	10,360
Retirement benefits scheme contributions	**2,200**	1,830
Equity-settled share-based payments	**59**	1,089
	14,166	13,279

The five highest paid individuals in the Group during the year included three (2018: three) directors whose emoluments are reflected in the analysis presented in note 14. The emoluments of the remaining two (2018: two) individuals are set out below:

	2019 RMB'000	2018 RMB'000
Fees, salaries and allowances	**813**	737
Retirement benefit scheme contributions	**26**	15
Equity-settled share-based payments	**—**	32
	839	784

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
HK$Nil to HK$1,000,000 (equivalent to RMBNil to RMB880,000) (2018: equivalent to RMBNil to RMB846,000)	**2**	2

14. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments:

Directors' remuneration 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	—	285	—	20	305
Ms. Chang Hsiu Hua	—	273	—	15	288
Mr. Han Lin	—	180	62	12	254
Name of non-executive director					
Ms. Lin Chien Ju	150	—	—	2	152
Name of independent non-executive directors					
Mr. Cui Shi Wei	169	—	—	2	171
Mr. Cheng Chi Pang (Resigned on 21 June 2019)	79	—	—	—	79
Mr. Lam Chun Choi	127	—	—	—	127
Mr. Chow Yiu Ming (Appointed in 21 June 2019)	61	—	—	—	61
Total for 2019	586	738	62	51	1,437
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

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

(a) Directors' emoluments: *(Continued)*

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2018: Nil).

The remuneration of the Directors by band for the years ended 31 December 2019 and 2018 is set out below:

	Number of individuals	
	2019	2018
HK$Nil to HK$1,000,000 (equivalent to RMBNil to RMB880,000) (2018: equivalent to RMBNil to RMB846,000)	**3**	3

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

Certain Directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 30 to the Group's consolidated financial statements.

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

No loans, quasi-loans and other dealing arrangements in favour of the Directors or body corporate controlled by such Directors, or entities connected with such Directors, subsisted at the end of the year or at any time during the year (2018: Nil).

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

Apart from the transaction as disclosed in note 32, 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 (2018: Nil).

15. RETIREMENT BENEFIT SCHEMES

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

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

16. 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 RMB12,432,000 (2018: RMB7,553,000) and the outstanding numbers of ordinary shares of 246,183,390 (2018: the weighted average number of ordinary shares of 245,593,527) in issue during the year.

(b) Diluted loss per share

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. Therefore, diluted loss per share is the same as the basic loss per share for the two years ended 31 December 2019 and 2018.

17. 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 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 and 1 January 2019	629	1,247	780	2,455	770	5,881
Disposals/write-off	—	—	—	(208)	—	(208)
Exchange differences	2	2	2	—	—	6
At 31 December 2019	631	1,249	782	2,247	770	5,679
Accumulated depreciation and impairment						
At 1 January 2018	317	981	775	2,099	—	4,172
Charge for the year	90	78	—	29	77	274
Eliminated upon disposals/ write-off	(1)	(102)	—	—	—	(103)
Exchange differences	3	4	5	—	—	12
At 31 December 2018 and 1 January 2019	409	961	780	2,128	77	4,355
Charge for the year	84	67	—	31	77	259
Eliminated upon disposals/ write-off	—	—	—	(187)	—	(187)
Exchange differences	1	2	2	—	—	5
At 31 December 2019	494	1,030	782	1,972	154	4,432
Carrying amounts						
At 31 December 2019	137	219	—	275	616	1,247
At 31 December 2018	220	286	—	327	693	1,526

18. RIGHT-OF-USE ASSETS

	Leased properties RMB'000
Cost	
At 1 January 2019	1,312
Exchange differences	17
At 31 December 2019	1,329
Accumulated depreciation	
At 1 January 2019	—
Charge for the year	765
Exchange differences	9
At 31 December 2019	774
Carrying amounts	
At 31 December 2019	555
At 1 January 2019	1,312
Expense relating to short-term leases upon application of HKFRS 16	1,820
Total cash outflow for leases	2,608

19. INVESTMENT PROPERTIES

	Land RMB'000	Buildings RMB'000	Total RMB'000
Cost			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	2,249	1,878	4,127
Accumulated depreciation and impairment			
At 1 January 2018	424	369	793
Charge for the year	51	43	94
At 31 December 2018 and 1 January 2019	475	412	887
Charge for the year	51	43	94
At 31 December 2019	526	455	981
Carrying amounts			
At 31 December 2019	1,723	1,423	3,146
At 31 December 2018	1,774	1,466	3,240

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

	2019 RMB'000	2018 RMB'000
Long-term leases	**1,476**	1,522
Medium-term leases	**1,670**	1,718
	3,146	3,240

19. 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 RMB10,790,000 (2018: RMB10,770,000).

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.

(d) Significant inputs used to determine fair value

As at 31 December 2019, the key assumptions adopted in the valuation in determining fair value were in the following ranges for the Group's portfolio of properties:

Significant observable inputs	Range	Effect on fair value for increase of inputs	Fair value 2019
Price per square metre	RMB4,639 to RMB23,800	Increase	RMB10,790,000

Significant observable 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

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

20. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2019 and 2018 are as follows:

Name	Place of incorporation and date of incorporation	Issued/registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company 2019	2018	Principal activities
Directly held:					
Fortune Sun (China) Holdings Limited	BVI, 29 October 2002	100,000 ordinary shares of US$1 each	**100%**	100%	Investment holding
Fortune Sun Properties Limited	BVI, 13 October 2016	1 ordinary share of US$1 each	**100%**	100%	Investment holding
Indirectly held:					
Shanghai Fu Yang Property Consultant Co., Ltd. ("Shanghai Fortune Sun") (note a)	PRC, 11 April 1997	US$7,600,000 registered capital	**100%**	100%	Property consultancy and agency services providing for the primary property Market in the PRC
Cornerstone Investment Management & Consultancy Co., Limited ("Cornerstone") (note b)	PRC, 26 September 2005	US$200,000 registered capital	**100%**	100%	Provision of property consultancy and agency services and fund management in the PRC
FS352 Fortune-Sun Real Estate Co., Ltd ("FS352") (note c)	Cambodia, 12 January 2017	US$600,000 registered capital	**100%**	100%	Property consultancy and agency services providing for the property market in the Cambodia
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	**N/A**	100%	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 was a wholly-owned foreign enterprise established in the Cambodia.

(d) Fu Yang International has been deregistered in April 2019.

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

20. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The summarised information for Shanghai Fortune Sun which is a subsidiary with material non-controlling interests ("NCI") to the Group is set out below. The summarised financial information below represents amounts before intragroup elimination.

Name	Project Jiangsu		Project Phnom Penh	
Principal place of business	PRC		Cambodia	
	2019	2018	**2019**	2018
Proportion of ownership interests held by NCI	**39%**	39%	**33.25%**	11%

	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Accumulated NCI	**713**	4,223	**1,343**	206
Year ended 31 December:				
Revenue	**6,580**	12,734	**2,552**	894
(Loss)/profit and total comprehensive (expense)/income for the year attributable to:				
Owners of the Company	**(5,490)**	1,727	**(1,527)**	(3,677)
NCI	**(3,510)**	1,103	**(761)**	(454)
(Loss)/profit and total comprehensive (expense)/income for the year	**(9,000)**	2,830	**(2,288)**	(4,131)
Net cash used in operating activities	**(4,067)**	(3,653)	**(1,568)**	(5,645)
Net cash generated from financing activities	**—**	3,120	**1,898**	660
Net (decrease)/increase in cash and cash equivalents	**(4,067)**	(533)	**330**	(4,985)

Shanghai Fortune Sun, a wholly-owned subsidiary of the Company, held the equity interests in Project Jiangsu and Project Phnom Penh which were engaged in the comprehensive property consultancy and sales agency service business in the PRC and the Cambodia for both years 2019 and 2018.

21. TRADE RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**12,230**	15,338
Less: allowance for trade receivables	**(787)**	(1,253)
	11,443	14,085

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

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

	2019 RMB'000	2018 RMB'000
0 to 90 days	**4,099**	5,911
91 to 180 days	**3,482**	2,947
181 to 365 days	**1,277**	1,594
1 to 2 years	**277**	162
Over 2 years	**2,308**	3,471
	11,443	14,085

Reconciliation of allowance for trade receivables:

	2019 RMB'000	2018 RMB'000
At 1 January	**1,253**	1,200
Provision for allowance recognised	**134**	553
Reversal of allowance for the year	**(600)**	(500)
At 31 December	**787**	1,253

At the end of the reporting period, the Group reviewed receivables for evidence of impairment on both individual and collective basis. Allowance recognised for 2019 and 2018 on trade receivables from customers which are experiencing financial difficulties and are in default or delinquency of payments are reviewed and impaired on individual basis.

21. TRADE RECEIVABLES *(Continued)*

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

As of 31 December 2019, trade receivables of approximately RMB7,344,000 (2018: RMB8,174,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2019	2018
	RMB'000	RMB'000
Up to 3 months	**3,482**	2,947
4 to 9 months	**1,277**	1,594
10 to 21 months	**277**	162
More than 21 months	**2,308**	3,471
	7,344	8,174

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

22. TRADE DEPOSITS

	2019	2018
	RMB'000	RMB'000
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 management have considered the timing of the collection on a regular basis.

22. TRADE DEPOSITS *(Continued)*

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:

	2019 **RMB'000**	2018 RMB'000
Over 3 years	**500**	500

Reconciliation of allowance for trade deposits:

	2019 **RMB'000**	2018 RMB'000
At 1 January	**—**	500
Reversal of allowance for the year	**—**	(500)
At 31 December	**—**	—

At the end of the reporting period, the Group reviewed the trade deposits for evidence of impairment on an individual basis. Allowance were recognised for 2019 and 2018 on trade deposits which were individually impaired customers and identified to be experiencing financial difficulties and are in default or delinquency of payments.

As of 31 December 2019, trade deposits of approximately RMB500,000 (2018: RMB500,000) were past due but not impaired. The ageing analysis of these trade deposits is as follows:

	2019 **RMB'000**	2018 RMB'000
Over 3 years or above	**500**	500

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.

23. BANK DEPOSITS AND BANK AND CASH BALANCES

As at 31 December 2019, the Group's bank deposits and bank and cash balances included bank deposits held for terms within six months amounted to RMB17,911,000 (2018: RMB20,590,000) and a bank structural deposit held for a term within six months amounted to RMB Nil (2018: RMB3,500,000). The bank deposits carry at a fixed interest rate of 1.6% (2018: 0.95%) 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:

	2019 RMB'000	2018 RMB'000
RMB	**2,483**	11,161
USD	**24,264**	34,675
HKD	**1,692**	3,036
NTD	**—**	223
	28,439	49,095

As at 31 December 2019, the bank and cash balances of the Group's subsidiaries located in the PRC denominated in RMB amounted to approximately RMB2,483,000 (2018: RMB11,161,000). 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.

24. ACCRUALS AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Housing payments received on behalf of a property developer	**4,413**	13,113
VAT payables	**858**	947
Commission payables	**360**	844
Accrued salaries	**550**	576
Union fee payables	**701**	636
Others	**1,198**	897
	8,080	17,013

25. LEASE LIABILITIES

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

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

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

26. DEFERRED TAXATION

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

	Timing difference on revenue recognition RMB'000	Tax losses RMB'000	Timing difference on expense recognition RMB'000	Total RMB'000
At 1 January 2018	981	(759)	(222)	—
(Credit)/charge to profit or loss	534	(545)	11	—
At 31 December 2018 and 1 January 2019	1,515	(1,304)	(211)	—
(Credit)/charge to profit or loss	397	(608)	211	—
At 31 December 2019	1,912	(1,912)	—	—

26. DEFERRED TAXATION *(Continued)*

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

	2019 RMB'000	2018 RMB'000
Deferred tax liabilities	**1,912**	1,515
Deferred tax assets	**(1,912)**	(1,515)
	—	—

At the end of the reporting period the Group had unused tax losses of approximately RMB44,961,000 (2018: RMB30,704,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB7,648,000 (2018: RMB5,214,000) of such losses. No deferred tax asset has been recognised in respect of remaining RMB37,313,000 (2018: RMB25,490,000) due to the unpredictability of future profit streams.

As at 31 December 2019, the Group's unused tax losses will expire in the following years:

	2019 RMB'000	2018 RMB'000
In 2024	**15,293**	—
In 2023	**3,673**	3,673
In 2022	**9,720**	9,720
In 2021	**8,420**	8,420
In 2020	**420**	420
In 2019	**—**	2,373
Indefinite	**7,435**	6,098
	44,961	30,704

Included in the unused tax losses, an amount of approximately RMB37,526,000 (2018: RMB24,606,000), will expire in between 2020 to 2024 (2018: 2019 to 2023). Other unused tax losses may be carried forward indefinitely.

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

27. SHARE CAPITAL

	Number of Ordinary shares '000	Nominal value HK$'000	RMB'000
Authorised:			
Ordinary shares of HK$0.1 each			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	2,000,000	200,000	206,000
Issued and fully paid:			
Ordinary shares of HK$0.1 each			
At 1 January 2018	244,733	24,473	24,276
Exercise of share options	1,450	145	118
At 31 December 2018, 1 January 2019 and 31 December 2019	246,183	24,618	24,394

Capital risk management

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

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in 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 2019 and 2018.

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 2019, 43.3% (2018: 43.3%) of the shares were in public hands.

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

(a) Statement of financial position of the Company

	Note	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment		**6**	10
Right-of-use asset		**182**	—
Investments in subsidiaries		**103**	103
		291	113
Current assets			
Prepayments and deposits		**198**	149
Amounts due from subsidiaries		**43,963**	45,763
Bank and cash balances		**986**	769
		45,147	46,681
Current liabilities			
Accruals and other payables		**238**	507
Lease liability		**185**	—
		423	507
Net current assets		**44,724**	46,174
NET ASSETS		**45,015**	46,287
Capital and reserves			
Share capital		**24,394**	24,394
Reserves	28(b)	**20,621**	21,893
TOTAL EQUITY		**45,015**	46,287

Approved by the Board of Directors on 31 March 2020 and are signed on its behalf by:

Chang Hsiu Hua
Director

Han Lin
Director

28. 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 2018	67,674	5,403	(12,313)	(38,022)	22,742
Currency translation differences	—	—	824	—	824
Lapsed of share options	—	(109)	—	109	—
Exercise of share options	1,945	(653)	—	—	1,292
Expired of share options	—	(1,375)	—	1,375	—
Recognition of equity-settled share-based payments 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
At 1 January 2019	69,619	4,355	(11,489)	(40,592)	21,893
Currency translation differences	—	—	3,447	—	3,447
Lapsed of share options	—	(127)	—	127	—
Recognition of equity-settled share-based payments transactions	—	59	—	—	59
Loss for the year	—	—	—	(4,778)	(4,778)
At 31 December 2019	69,619	4,287	(8,042)	(45,243)	20,621

29. RESERVES

(a) Group

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

29. 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.

30. SHARE-BASED PAYMENTS

Equity-settled share option scheme

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

30. 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 had 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 had an exercise period from 12 March 2009 to 11 March 2018 ("Share Option 1") and the remaining share options had 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

30. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

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

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

	2019		2018	
	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	7,100,000	1.130	12,167,390	1.117
Exercised during the year	—	—	(1,450,000)	1.130
Forfeited during the year	(200,000)	1.130	(1,250,000)	1.130
Expired during the year	—	—	(2,367,390)	1.065
Outstanding at the end of the year	6,900,000	1.130	7,100,000	1.130
Exercisable at the end of the year	6,900,000	1.130	3,200,000	1.130

Note:

The closing share price at the date of exercise for share options exercised during the year was HK$1.13 (2018: HK$1.13). The options outstanding at the end of the year have a weighted average remaining contractual life of 7.1 years (2018: average life of 8.1 years) and the adjusted exercise price of HK$1.13 (2018: adjusted exercise price of HK$1.13).

31. COMMITMENTS

Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 RMB'000
Within one year	1,075
In the second to fifth years inclusive	532
	1,607

For the year ended 31 December 2018, the Group leases a number of properties under operating leases which were accounted for under HKAS 17. 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.

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases upon application of HKFRS 16, see note 3 and note 18 for further information.

32. 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:

	2019 **RMB'000**	2018 RMB'000
Rental expense paid to a related company owned by a director of the Company	**942**	942

33. CONTINGENT LIABILITIES

At 31 December 2019 and 2018, the Group did not have any significant contingent liabilities.

34. EVENTS AFTER THE REPORTING PERIOD

Following the outbreak of Coronavirus Disease 2019 ("the COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC, which has affected the business and economic activities of the Group to certain extent. Pending on the development and spread of COVID-19 subsequent to the date of these financial results, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group. The overall financial effect of the above cannot be reliably estimated as of the date of these consolidated financial statements. The Group will pay close attention to the development of the COVID-19 outbreak and continue to evaluate its impact on the financial position and operating results of the Group.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities RMB'000
At 31 December 2018	
Adjustment upon initial application of HKFRS 16	1,312
At 1 January 2019	1,312
Changes from cash flows:	
Repayment of lease liabilities	(788)
Non-cash changes:	
Interest expense	33
Exchange difference	8
	41
At 31 December 2019	565

36. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the directors on 31 March 2020.

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 consolidated financial statements, is as follows:

	Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**14,371**	26,103	26,367	23,014	18,328
Loss for the year attributable to owners of the Company	**(12,432)**	(7,553)	(16,644)	(5,453)	(4,924)

	At 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES					
Total assets	**48,179**	71,168	63,529	80,694	79,500
Total liabilities	**8,645**	17,013	8,766	13,093	6,580
Total equity	**39,534**	54,155	54,763	67,601	72,920

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