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Fortune Sun (China) Holdings Limited

富陽（中國）控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00352)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Fortune Sun (China) Holdings Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 (the “**Year**”) together with the comparative figures for 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	4	40,243	26,805
Cost of sales		<u>(30,357)</u>	<u>(16,058)</u>
Gross profit		9,886	10,747
Investment income and other gains and losses, net	5	441	1,642
Operating and administrative expenses		<u>(13,232)</u>	<u>(12,320)</u>
Finance cost	6	<u>(5)</u>	<u>(11)</u>
(Loss)/profit before tax		(2,910)	58
Income tax expense	8	<u>—</u>	<u>—</u>
(Loss)/profit for the year attributable to the owners of the Company	9	<u>(2,910)</u>	<u>58</u>
		<i>RMB cents</i>	<i>RMB cents</i>
(Loss)/earnings per share	11		
— Basic		<u>(1.18)</u>	<u>0.02</u>
— Diluted		<u>(1.18)</u>	<u>0.02</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
(Loss)/profit for the year	<u>(2,910)</u>	<u>58</u>
Other comprehensive expense:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>(151)</u>	<u>(216)</u>
Other comprehensive expense for the year, net of tax	<u>(151)</u>	<u>(216)</u>
Total comprehensive expense for the year attributable to owners of the Company	<u><u>(3,061)</u></u>	<u><u>(158)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		839	1,043
Right-of-use assets		286	86
Investment properties		12,664	12,681
Golf club membership		—	291
		<u>13,789</u>	<u>14,101</u>
Current assets			
Trade receivables	12	17,867	15,217
Trade deposits	13	300	300
Prepayments and other deposits		1,692	1,467
Other receivables		799	697
Financial assets at fair value through profit or loss		2,004	—
Fixed bank deposits		—	9,787
Bank and cash balances		7,667	6,509
		<u>30,329</u>	<u>33,977</u>
Current liabilities			
Accruals and other payables		4,571	5,668
Lease liabilities		124	90
		<u>4,695</u>	<u>5,758</u>
Net current assets		<u>25,634</u>	<u>28,219</u>
Total assets less current liabilities		<u>39,423</u>	<u>42,320</u>
Non-current liabilities			
Lease liabilities		164	—
Loan from a related company	14	5,000	5,000
		<u>5,164</u>	<u>5,000</u>
Net assets		<u>34,259</u>	<u>37,320</u>

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Capital and reserves		
Share capital	24,394	24,394
Reserves	9,865	12,926
	<hr/>	<hr/>
Total equity attributable to owners of the Company	34,259	37,320
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”), Hong Kong Accounting Standards (“**HKAS**”) and Interpretations. These consolidated financial statements also comply with the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

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

(a) Application of amendments to HKFRSs that became effective on 1 January 2021

The HKICPA has issued the following Amendments to HKFRSs that became first effective for the current accounting period of the Group:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the Amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 4	Extension of the Temporary Exemption from Applying HKFRS 9 ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual improvements to HKFRSs 2018–2020 ²
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective date to be determined.

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

4. REVENUE

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Comprehensive property consultancy and sales agency service projects, recognised at a point in time		
Primary geographical markets:		
China	39,246	22,440
Cambodia	44	334
Property planning and consultancy service projects, recognised over time		
Primary geographical markets:		
China	953	4,031
	<u>40,243</u>	<u>26,805</u>

5. INVESTMENT INCOME AND OTHER GAINS AND LOSSES, NET

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest income on bank deposits	89	193
Gain on disposals and write-off of property, plant and equipment	144	—
Gain on disposal of golf club membership	1,474	—
Net exchange loss	(47)	(710)
Rental income	111	102
(Provision)/reversal of allowance for trade receivables, net	(1,523)	327
Reversal of allowance for other receivables, net	—	128
Fair value gain on financial assets at fair value through profit or loss	4	—
Recovery of judgement sum (<i>Note a</i>)	—	1,461
Government grants (<i>Note b</i>)	87	96
Sundry income	102	45
	<u>441</u>	<u>1,642</u>

Notes:

- (a) During the year ended 31 December 2020, the Group had recovered a judgement sum as a result of the court judgement against a vendor, former customer of the Group (“**Vendor**”), as mentioned in the Company announcement dated 25 November 2020 and 1 December 2020.
- (b) During the current year, the Group recognised governments grants of RMBNil (2020: RMB96,000 (equivalent to HK\$108,000)) and RMB87,000 (2020: RMBNil) related to Employment Support Scheme provided by the Hong Kong Government and support fund provided by PRC Government respectively.

6. FINANCE COST

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on lease liabilities	<u>5</u>	<u>11</u>

7. SEGMENT INFORMATION

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

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

Revenue from major customers

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Customer A	14,377	—
Customer B	11,023	N/A ⁽ⁱ⁾
Customer C	10,934	11,044
Customer D	<u>—</u>	<u>4,450</u>

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

8. INCOME TAX EXPENSE

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Deferred tax and income tax expense	<u>—</u>	<u>—</u>

No provision for Hong Kong Profits Tax is required since the Company had no assessable profit for both years.

No PRC Enterprise Income Tax has been made in the current year as the relevant group entities had no assessable profit for both years.

No provision for Tax on Profit is required for the subsidiary in Cambodia as the subsidiary incurred a loss for both years.

9. (LOSS)/PROFIT FOR THE YEAR

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Auditor's remuneration	450	400
Depreciation of property, plant and equipment	174	247
Depreciation of investment properties	234	120
Depreciation of right-of-use assets	126	467
Gain on disposal and write-off of property, plant and equipment	(144)	—
Gain on disposal of golf club membership	(1,474)	—
Net exchange loss	47	710
Gross rental income from investment properties less direct outgoings of RMBNil (2020: RMB Nil)	(111)	(102)
Provision/(reversal of) allowance for, net		
— Trade receivables	1,523	(327)
— Other receivables	<u>—</u>	<u>(128)</u>

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

11. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss) earnings per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately RMB2,910,000 (2020: profit of RMB58,000) and the number of ordinary shares of 246,183,390 (2020: 246,183,390) shares in issue during the year.

(b) Diluted (loss)/earnings per share

The computation of diluted (loss)/earnings per share does not assume the exercise of the Company's outstanding share options since their exercise would result in a decrease in loss per share or increase in earnings per share. Therefore, diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share for the years ended 31 December 2021 and 2020.

12. TRADE RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	19,850	15,677
Less: allowance for credit loss	<u>(1,983)</u>	<u>(460)</u>
	<u>17,867</u>	<u>15,217</u>

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

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
0 to 90 days	8,018	9,602
91 to 180 days	4,707	2,048
181 to 365 days	4,052	2,710
1 to 2 years	644	662
Over 2 years	<u>446</u>	<u>195</u>
	<u>17,867</u>	<u>15,217</u>

Reconciliation of allowance for credit loss:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At 1 January	460	787
Provision for allowance for the year	1,523	324
Reversal of allowance for the year	—	(651)
	<hr/>	<hr/>
At 31 December	<u>1,983</u>	<u>460</u>

At the end of the reporting period, the Group reviewed trade receivables for evidence of impairment on both individual and collective basis. Allowance for credit loss recognised for 2021 and 2020 on trade receivables from customers which are experiencing financial difficulties and are in default or delinquency of payments are reviewed and impaired on an individual basis.

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

As at 31 December 2021, trade receivables of approximately RMB9,849,000 (2020: RMB5,615,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	4,707	2,048
4 to 9 months	4,052	2,710
10 to 21 months	644	662
More than 21 months	446	195
	<hr/>	<hr/>
	<u>9,849</u>	<u>5,615</u>

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

13. TRADE DEPOSITS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade deposits	300	300
Less: Allowance for trade deposits	—	—
	<hr/>	<hr/>
	<u>300</u>	<u>300</u>

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

14. LOAN FROM A RELATED COMPANY

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

In June 2021, a wholly-owned subsidiary of the Company and a related party of the Company had entered into a supplementary agreement where the related company as lender agreed to amend interest at 4.75% to interest-fee for the first year.

BUSINESS REVIEW

During the year ended 31 December 2021 (the “**Year**”), the property market went through a turbulent year, with the market declining and the performance being hindered due to the PRC Government implementing stricter control and the lack of confidence from the market as a result of the large developers facing financial difficulty. As the property development industry entered into winter, both upstream and downstream in the relevant industries suffered from a huge impact, bringing more challenges for the entire industry. Throughout the Year, the investment contraction in the properties industry has reduced both supply and transaction volume. However, the new commercial residential properties market benefited from the booming market in the first half of the 2021 and showed a slight increase in transaction volume and average prices when compared to the year ended 31 December 2020.

In respect of land, the year ended 31 December 2021 was the “first-year” of the two-concentration land supply policy (the “**Two-Concentration Policy**”). The first batch of transactions in cities implementing the Two-Concentration Policy showed positive results, and the land price reached a new high, thus the regulatory authorities enhanced control over the market. In the second and third batches of transactions, many property developers underwent a liquidity crisis, and land plots were transferred to central enterprises, state-owned enterprises and local urban investment enterprises, mostly traded with a lower premium. Among 22 cities implementing the Two-Concentration Policy, there were 44 transfers of centralized land in the second and third batches of transactions. Only 11% of the state-owned enterprises and central enterprises acquired less than 50% of the land in the three batches of transactions, and the state-owned enterprises and central enterprises in Xiamen even acquired all land plots in the three batches of transactions, indicating the trend of state enterprises advance and private sectors retreat. The transaction data showed a trend of rising prices and falling volumes, with the transaction floor areas declining by 15.5% year-on-year and the transaction amount increasing by 2.8%, as compared with the year ended 31 December 2020 further increasing the cost for property developers to acquire lands.

In respect of the commercial residential properties market, although the scale of the domestic commercial residential market maintained growth in 2021, the growth rate has significantly declined compared to the year ended 31 December 2020. Many second and third-tier cities experienced a distinct market phenomenon during the Year, with over 60% of the total sales being completed in the first half of the year, and over 70% of the top 100 property developers failing to achieve their annual goals.

In terms of property developers, as they gradually released the operating data for 2021, the Company can see that the growth rate of several property developers has slowed down, and that some have turned profits into losses. State-owned enterprises and central enterprises with notable advantages have a distinct performance compared with private enterprises. After nearly three years of development, the number of property developers owned by the State-owned enterprises and central enterprises with annual sales exceeding RMB100 billion is increasing, and the proportion has increased by 15% within three years. Now, there are no property developers owned by the State-owned enterprises with a sales volume of less than RMB10 billion. As for private enterprises, the proportion of top private enterprises with a sales volume over RMB300 billion reduced, and the number of property developers with a sales volume of less than RMB10 billion increased. Given the current environment, private enterprises mostly reduce the investment amount and focus on accelerating sales; while the state-owned enterprises and central enterprises benefit from gradual loosening of policies and support from the central government, coupled with a current strategy focusing on safeguarding in the financial side, the advantage has gradually shifted to the state-owned enterprises and central enterprises, allowing them to expand against the trend during the window of market downturn and continue to seize market share.

In terms of financing, property developers were affected by policies and the crises of certain property developers in the second half of 2021. The credit ratings and ratings of domestic property developers were downgraded by the top three international credit rating agencies repeatedly, and all financing channels have been tightened. During the Year, the property industry completed non-bank financing of RMB1,933.49 billion, which decreased by 19.4% compared with the year ended 31 December 2020. As the financing channels were limited, sales proceeds and the disposal of inventory assets have become important sources for property developers to obtain cash flows.

In terms of marketing, due to the market downturn in the second half of 2021, property developers and agents increased investments in marketing, promoting various marketing campaigns and increasing the proportion of marketing expenses to attract customers and enhance sales. On the marketing side, large property developers basically maintained high-frequency marketing of “organizing events every month.” The Group suffered from the impact of the downturn of the market, and which resulted in the increasing of the marketing expenses in the second half of 2021, leading to a reduction of the Group’s gross profit.

In terms of overseas business development, the COVID-19 pandemic outbreak (the “**Pandemic**”) in Cambodia has had serious impact on the local economy, coupled with the fact that many foreigners and local residents have not returned to Cambodia for work to stay away from the Pandemic, and export orders have dropped significantly, which had a severe impact on the local real estate market in Cambodia during the Year.

During the Year, the Group recorded revenue of approximately RMB40.2 million (2020: RMB26.8 million), representing a substantial increase by approximately 50.0% as compared to the revenue recorded for the preceding year. Such substantial increase was mainly due to the increase in revenue generated from comprehensive property consultancy and sales agency business of the Group by approximately RMB16.5 million, representing an increase by approximately 72.5%, during the Year as compared with the preceding year for reasons further explained in the paragraph headed “Comprehensive property consultancy and sales agency business” below. Revenue from the property planning and consultancy business segment of the Group decreased during the Year by approximately RMB3.1 million as compared with the preceding year for reasons further explained in the paragraph headed “Pure property planning and consultancy business” below.

The Group recorded gross profit of approximately RMB9.9 million for the Year as compared with the gross profit of approximately RMB10.7 million in the preceding year. The gross profit margin decreased to 24.6% for the Year as compared to the gross profit margin of 40.0% in the preceding year as the marketing and promotion expenses of the Group increased significantly during the Year as a result of the Group’s effort to boost the sales level. The overall operating and administrative expenses also increased by approximately 7.4% as compared to the preceding year mainly due to increase in the number of business trips during the Year to seek for business opportunities. Provision of allowance for trade receivable of approximately RMB1.5 million (2020: reversal of allowance for trade receivable of approximately RMB0.3 million) was made for the Year due to the slow down of recovery from our property developer clients and more provision is needed to be made. Thus, the loss for the Year attributable to owners of the Company was amounted to approximately RMB2.9 million, compared from the profit of approximately RMB58,000 recorded for the preceding year.

Regarding the Group’s operations during the Year geographically, most of the Group’s recorded revenue was generated from projects in Jiangsu Province, followed by Hubei Province and Zhejiang Province, which represented approximately 64.8%, 26.8% and 6.8% of the Group’s total revenue, respectively. On a comparative basis, for the year ended 31 December 2020, 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, 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 97.6% of the total revenue (2020: approximately 85.0%), while the revenue generated from the property planning and consultancy business accounted for approximately 2.4% of the total revenue (2020: approximately 15.0%).

COMPREHENSIVE PROPERTY CONSULTANCY AND SALES AGENCY BUSINESS

During the Year, the provision of comprehensive property consultancy and sales agency services for the primary property market in the PRC was the core business of the Group. In 2021, most of the revenue of the Group was generated from 11 comprehensive property consultancy and sales agency service projects (2020: 17 projects) with approximately 108,826 square meters (2020: approximately 147,155 square meters) of total saleable gross floor areas of the underlying projects. The reported revenue from these comprehensive property consultancy and sales agency service projects for the Year was approximately RMB32,290,000, representing approximately 97.6% of the total revenue of the Group (2020: approximately RMB22,774,000, representing approximately 85.0% of the total revenue).

The substantial increase in revenue generated by the Group from the comprehensive property consultancy and sales agency business by approximately 41.8% during the Year as compared with the preceding year was mainly due the commercial residential properties market continued its momentum from 2020, with the sales area and sales amount maintaining rapid growth in double digits.

As at 31 December 2021, the Group had 10 comprehensive property consultancy and sales agency service projects on hand with total unsold gross floor areas of approximately 936,000 square meters (2020: approximately 691,000 square meters). Among these 10 projects, sales of the underlying properties of 1 project on hand have not yet commenced as at 31 December 2021.

The outbreak of the Pandemic has created great uncertainties for the real estate market in the Cambodia, as with the other Southeast Asia countries. The Group's performance in Cambodia during the Year has been significantly affected by the Pandemic, where the revenue recorded from the provision of comprehensive property consultancy and sales agency services in Cambodia for the Year was approximately RMB44,000 (2020: RMB334,000). This was mainly due to demand for residential property in Cambodia has reduced substantially during the Year, as many of the foreigners and local residents have not returned to Cambodia for work to stay away from the Pandemic outbreak, and the decrease in export orders have caused reduction in foreign investment and the closing down of foreign companies in Cambodia. The Group is evaluating its business plan in Cambodia from time to time as the impact of the Pandemic evolves in Cambodia.

PURE PROPERTY PLANNING AND CONSULTANCY BUSINESS

During the Year, the Group has provided services for a total of 3 pure property planning and consultancy service projects (2020: 12 projects). The revenue generated from this business segment for the Year decreased by approximately 76.3% to approximately RMB953,000, representing 2.4% of the total revenue for the year of 2021 (2020: approximately RMB4,031,000, representing 15.0% of the total revenue).

The decrease in revenue from the Group's pure property planning and consultancy business was mainly due to the decrease in demand for market consultancy services from the property developers in the PRC after the Pandemic situation has become more stable in mainland China.

PROSPECTS AND OUTLOOKS

Looking forward to 2022, the Pandemic is still resurging, and the estimated GDP growth rate of the PRC is 5.5% due to pressures from various aspects concurrently. Given the current weak market confidence and greater funding pressures, recovery will take time, and the industry investment will remain cautious. It is expected that the central government will continue to release signals to maintain stability and maintain a loose policy, adopting proper control on reducing leverage within the industry, gradually narrowing down the reduction of core indicators, and alleviating the pressures faced by the property industry to achieve a soft landing. Besides, restrictions on property speculation will continue, and the policies will focus on maintaining stability, with certain favorable credit and housing policies being introduced. Favorable measures on the policy and financial side will also gradually launch.

In terms of land market, it is expected that the trend of lack of investment growth points in 2021 will continue, and some cities may moderately relax regulatory policies depending on their own conditions. The differentiation between cities continues to increase, with third and fourth-tier cities facing continuous downward pressure. With the implementation of the central government's policy of simultaneous housing purchase and renting, the supply of land for lease may increase. Due to the sluggish transaction and development volume of commercial land, the share in land usage will be partially offset by the construction of government affordable housing and low-rent housing.

In terms of construction volume, the land area with newly started construction may show a negative growth trend in 2022 due to the negative growth of land transaction area in 2021. In addition, after the bumper year of delivery in 2021, it is expected that the completed construction area in 2022 may also decline, superimposing the negative growth expectation of the land area and newly started construction and the construction volume of real estate will remain low in 2022.

In terms of new commercial residential market, the sales growth rate of new commercial residential units across the PRC has dropped to a new low in 2021. Subject to the demand overdraft brought about by the high growth in previous years, it is expected that the Group may enter the era of negative growth in 2022, with a slight decline in transaction volume as well as a plateau trend and small fluctuations in the average price. Although some non-core cities have been favored by the loosening of control and consumer credit, the problems of weak market confidence and insufficient incremental demand will not be solved in the short term, and the wait-and-see sentiment is still strong. Assets in core cities are highly sought after due to the current asset shortage environment. In the future, the differentiation of cities will continue to intensify. First-tier cities and some second-tier cities with basically good conditions are expected to maintain their growth momentum, while other second-tier cities and a large number of third-and fourth-tier cities may face destocking pressure. Without the impact of major policy adjustments and emergencies, the overall performance of China's housing market will tend to be stable in 2022. From the monthly data, it is predicted that the recovery of market will gradually accelerate in the first, second and third quarters of 2022, with new changes in the fourth quarter.

On the enterprise side, with the change in the development logic of housing companies in recent years, the landscape of the real estate industry is getting clearer in 2022. The real estate industry has entered a stage of "low growth, low profits, low expectations and low fault tolerance", under which the high-turnover model will be unsustainable. As real estate enterprises will usher in the debt repayment peak in the first half of 2022, the industry is also very likely to usher in a concentrated and accelerated clearing period, and some real estate enterprises with high leverage, high turnover and high debt will face elimination based on their own debt structure. Clearing and integration in the industry will be accelerated, and more shares will be concentrated to stable enterprises.

The year of 2022 has begun, and various expectations are developing in a positive direction. In the future, the real estate industry will still be an indispensable and important part of China's economy. The rapid development cycle of the real estate industry in the past 20 years has ceased, and the pattern of high debt and high turnover has also begun to turn its direction. There is still room for the development of real estate industry, and a lot of room for exploration in business models such as urban renewal, asset operation, lease security and elderly care real estate. After saying goodbye to high growth expectations, the industry will enter a new stage of development.

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

The management of the Group will endeavour to incentivise their employees to proactively identify new projects and new customers for new business opportunities, and strive to cut operating expenses by means of strengthening budget management and cost control, so as to pursue a long-term development for the Group and satisfactory return to the shareholders of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group had net current assets of approximately RMB25,634,000 (2020: RMB28,219,000), total assets of approximately RMB44,118,000 (2020: RMB48,078,000) and equity attributable to owners of the Company of approximately RMB34,259,000 (2020: RMB37,320,000).

As at 31 December 2021, the fixed bank deposits and bank and cash balances of the Group amounted to approximately RMB7,667,000 (2020: RMB16,296,000).

BANK BORROWINGS AND OVERDRAFTS

The Group had no bank borrowings or overdrafts as at 31 December 2021 (2020: Nil).

INDEBTEDNESS AND CHARGE ON ASSETS

As at 31 December 2021, the Group did not have any short term borrowing (2020: Nil) and had long term borrowing of RMB5,000,000 (2020: RMB5,000,000) which will mature in November 2025.

As at 31 December 2021, the Group had total borrowing of RMB5,000,000, which was unsecured. The gearing ratio of the Group (calculated on the basis total borrowings over total equity) was 14.6% (2020: 13.4%).

FOREIGN EXCHANGE RISKS

As the Group's sales are denominated in Renminbi, the Group's purchases and expenses are either denominated in Renminbi, United States dollar or Hong Kong dollar, and there is no significant foreign currency borrowings, the Group's currency fluctuation risk is considered insignificant. The Group currently does not have a foreign currency hedging policy. However, the management continuously monitors the foreign exchange risk exposure and will consider to hedge significant currency risk exposure should the need arise.

INTEREST RATE RISKS

The Group's exposure to interest rate risk mainly stemmed from fluctuations of interest rates for the Group's bank balances and other borrowings with floating interest rate, as the Group had no bank borrowings as at 31 December 2021 (2020: Nil).

STAFF AND THE GROUP'S EMOLUMENT POLICY

As at 31 December 2021, the Group had a total of 101 staff (2020: 130 staff). The Group recorded staff costs (excluding directors' remuneration) of approximately RMB8,112,000 (2020: RMB8,426,000) during the year ended 31 December 2021.

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

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2021 (2020: Nil).

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 31 December 2021 (2020: Nil).

USE OF PROCEEDS FROM THE COMPANY'S RIGHTS ISSUE

In November 2015, the Company raised net proceeds of approximately HK\$33.3 million by way of rights issue (the "**Rights Issue**"). For details of the Rights Issue, please refer to the Company's announcements dated 1 September 2015, 16 November 2015 and 8 March 2021, and the Company's prospectus dated 26 October 2015.

The Directors resolved on 8 March 2021 to re-allocate the designated use of the unutilised proceeds from the Rights Issue (the “**Reallocation**”). Please refer to the Company’s announcement dated 8 March 2021 for details of the Reallocation. As at 31 December 2021, approximately HK\$6.6 million, representing approximately 19.8% of the total net proceeds from the Rights Issue, remained unutilised.

The following table sets forth the use of the unutilised proceeds from the Rights Issue during the Year and the expected timeline of use:

Use of Unutilised Proceeds after Reallocation	Amounts utilised during the Year <i>(HK\$’ million, approximately)</i>	Amount unutilised as at 31 December 2021 <i>(HK\$’ million, approximately)</i>	Expected timeline of use
Repayment of existing interest-bearing loan advanced to the Group by a company wholly-owned by Ms. Chang Hsiu Hua, an executive director of the Company (the “ Loan ”)	Nil	6.0 <i>(Note a)</i>	By the end of 2021
Renovation of an investment property of the Group for future rental purpose	0.6	Nil <i>(Note b)</i>	By the end of 2021
Payment of agency fee for the rental of investment property held by the Group	0.1	0.1	By the end of 2022
Payment of other operating expenses in relation to the rental of investment property held by the Group	0.5	0.5	By the end of 2022
General replenishment of working capital and other general corporate purpose	0.6	Nil <i>(Note b)</i>	By the end of 2021
	<u>1.8</u>	<u>6.6</u>	

Note

- (a): The Group has fully repaid the Loan in January 2022 and, therefore, as at the date of this announcement, the entire portion reallocated to the repayment of the Loan has been fully utilised.
- (b): As at 31 December 2021, the entire portion reallocated to the renovation of an investment property of the Group for future rental purpose and general replenishment of working capital and other general corporate purpose had been fully utilised.

As at the date of this announcement, the Company does not anticipate any further change to the above planned use of proceeds after the Reallocation.

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 17 June 2022, the register of members of the Company will be closed from Tuesday, 14 June 2022 to Friday, 17 June 2022 (both days inclusive) during which period no transfer of shares will be registered.

In order to qualify for attending and voting at the 2022 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, 13 June 2022.

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 2021.

CORPORATE GOVERNANCE PRACTICES

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

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. Save for the deviation from code provision A.2.1 of the CG Code in force during the year ended 31 December 2021 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 2021.

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standards set out in the Model Code and the Company's code of conduct during the year ended 31 December 2021.

IMPORTANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

The Directors are not aware of any important events affecting the Group that have occurred since the end of the year ended 31 December 2021 and up to the date of this announcement.

REVIEW BY AUDIT COMMITTEE

Pursuant to the requirements of the CG Code and Rule 3.21 of the Listing Rules, the Company has established an audit committee (the “**Audit Committee**”) of the Board with written terms of reference and comprising all three independent non-executive Directors.

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

During the year ended 31 December 2021, the Audit Committee met with the external auditor to review and approve the audit plans and also reviewed the Group's annual results of 2020 and interim results of 2021 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 2021. The Audit Committee convened three meetings during the year ended 31 December 2021.

SCOPE OF WORK OF CONFUCIUS INTERNATIONAL CPA LIMITED

The figures in respect of this announcement of the Group's results for the year ended 31 December 2021 have been agreed by the Group's independent auditor, Confucius International CPA Limited, to the amounts set out in the Group's audited consolidated financial statements and the related notes thereto for the year ended 31 December 2021. The work performed by Confucius International CPA Limited in this respect did not constitute an assurance engagement in accordance with the Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the HKICPA and consequently, no assurance has been expressed by Confucius International CPA Limited on this preliminary announcement.

PUBLICATION OF THE RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website (www.fortune-sun.com) and the Stock Exchange's website (www.hkexnews.hk). The 2021 Annual Report will be dispatched to the shareholders of the Company and will be made available on the website of the Company and the Stock Exchange in due course.

2022 ANNUAL GENERAL MEETING

It is proposed that the 2022 Annual General Meeting (the "2022 AGM") will be held on Friday, 17 June 2022. A notice convening the 2022 AGM will be published on the Company's website (www.fortune-sun.com) and the Stock Exchange's website (www.hkexnews.hk) and will be dispatched to the shareholders of the Company accordingly.

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

Hong Kong, 31 March 2022

As at the date of this announcement, the executive Directors are Mr. Chiang Chen Feng, Ms. Chang Hsiu Hua and Mr. Han Lin; the non-executive Director is Ms. Lin Chien Ju; and the independent non-executive Directors are Mr. Cui Shi Wei, Mr. Lam Chun Choi and Mr. Chow Yiu Ming.