Annual Report 2015

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

Stock Code: 352

Contents

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

Dr. Cheng Chi Pang
Mr. Cui Shi Wei
Mr. Ng Wai Hung

EXECUTIVE COMMITTEE

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

AUDIT COMMITTEE

Dr. Cheng Chi Pang *(Chairman)*
Mr. Cui Shi Wei
Mr. Ng Wai Hung

REMUNERATION COMMITTEE

Mr. Cui Shi Wei *(Chairman)*
Dr. Cheng Chi Pang
Mr. Ng Wai Hung

NOMINATION COMMITTEE

Mr. Chiang Chen Feng *(Chairman)*
Dr. Cheng Chi Pang
Mr. Ng Wai Hung

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY SECRETARY

Mr. Lee Kwai San

COMPLIANCE OFFICER

Ms. Chang Hsiu Hua

AUTHORISED REPRESENTATIVES

Ms. Chang Hsiu Hua
Mr. Lee Kwai San

AUDITOR

RSM Hong Kong
Certified Public Accountants

HONG KONG LEGAL ADVISERS

Chiu & Partners

PRINCIPAL BANKERS

PRC

China Minsheng Banking Corporation Limited

Hong Kong

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

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 2015.

2015 was a mixed year for the real estate industry in the PRC. According to the statistics from the National Bureau of Statistics of the PRC, the total sales area of commodity housing amounted to 1,284.95 million square meters, representing a year-on-year increase of 6.5%; the sales of commodity housing amounted to RMB8,728.1 billion, representing a year-on-year increase of 14.4%, which was 1.2 percentage points lower than the growth rate in the previous year. Meanwhile, the total property development investments nationwide was RMB9,597.9 billion, representing a year-on-year increase of 1.0% and a real growth rate of 2.8% (excluding inflation).

Since 2014, the PRC Central Government (the "Central Government") gradually relaxed the restrictions on property purchasing. As of today, the policies to restrict property purchase continued in some cities such as Beijing, Shanghai, Guangzhou and Shenzhen and are totally cancelled in second or third-tier cities. Meanwhile, the People's Bank of China lowered the deposit and loan interest rate five times during 2015. Furthermore, at the end of March 2015, we witnessed corresponding changes in the business tax and provident fund loan-to-value ratios with respect to residential mortgage loans. Generally, all these were favorable policies towards property market which helped lower the pressure of down payment and mortgage of home buyers. Driven by the policies as mentioned above, the property market in first and second-tier cities recorded growth in both price and sales volume, primarily due to huge demand for better housing in the market as the result of the previous restrictions on property purchases and mortgage loans, among which the middle and high-ended properties were the best sellers with increasing price. At the same time, given relatively abundant resources and well-developed market with concentrated population, more expatriate population were willing to move to these cities, thus creating greater demand and under-supply of properties. With respect to third and fourth-tier cities, due to the policies to restrict property purchase in the first and second-tier cities implemented two years ago, many developers changed their focus to third and fourth-tier cites to acquire land and construct residential housing which resulted in great amount of newly-developed housing to somehow transform the demand-supply relationship in the third and fourth-tier cities. However, the weak value chain in the third and fourth-tier cities and their inability to attract population resulted in severe over-supply. Together with the effect of slow-moving problem and disappointed sales, the satisfactory figures recorded on the properties market in 2015 was mainly driven by the large amount of transaction in the first and second-tier cities and it may take a long time for the developers to destock their unsold housing in the third and fourth-tier cities.

During the year under review, a lower pace of the development and investment of the PRC property market affected the revenue of the Group. During the year, the Group completed sales for saleable areas of approximately 112,000 square meters, representing a year-on-year decrease of 38.12%. The total sales completed was approximately RMB865.00 million, representing a decrease of 44.28% year on year. The net turnover of the Group for the year 2015 was approximately RMB18,328,000, representing a decrease of 23.04% as compared to approximately RMB23,814,000 in 2014. The loss attributable to owners of the Company was approximately RMB4,924,000, representing a decrease of 18.54% as compared to the loss of approximately RMB6,045,000 in last year. The basic loss per share in 2015 was approximately RMB2.30 cents (2014: RMB2.90 cents). Despite the net proceeds of approximately HK$33.3 million from the rights issue completed in November last year, given the loss recorded by the Group for the year and the need of the Group to conserve a healthy liquidity level for appropriate investment opportunities in light of the expected slow pace of recovery of the PRC property market in 2015, the Board did not recommend the payment of a final dividend for the year ended 31 December 2015.

The Group undertook a total of 25 projects in 2015, including 17 projects that focused on comprehensive property consultancy and sales agency service. As at 31 December 2015, the Group had a total of 19 executable projects with saleable areas of approximately 388,000 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.

Reviewing 2015, the Group's commission income generated from sales premium remained at a relatively low level despite the fact of gradual loosening of the home-purchase restrictions. The commencement of sale of certain property projects was postponed or cancelled, thus the selling progress was still slow. During the year, the Group generated most of its sales revenue from existing key markets, such as Shanghai municipality, Hubei Province, Jiangsu Province, Zhejiang Province, as well as partly from other provinces, such as Jiangxi Province and Shanxi Province. The Group's projects were located in different regions, which helped alleviate the risk of reliance on a particular city. However, the higher service costs of the Group due to lack of economics of scale and competition resulted in thinner gross profit margin.

In 2015, the gross domestic products in the PRC only grew by 6.9%, representing a decrease of 0.5% as compared to last year, which is the lowest growth rate since 1990. Reasons behind this poor figure included the effect of disappointing performance of the international economies and constraints of some objective issues, of which the downward market trend and volatility of the stock market had greater impact on the growth of the PRC economy. Besides, the three period superimposed factors had also been of some effect. This showed that the gross domestic products is likely to descend in the future and the industries that are related to the property market will not be able to insulate themselves from the downturn. As to the property industry, the times of dramatic growth is over in the middle and longer term in the future and hopefully it can manage to maintain a more steady development. It is expected that in 2016, the third and fourth-tier markets will be divided into two kinds. One kind will be those third and fourth-tier cities in closer proximity with the core big cities, which are well-positioned and with better-developed industries to attract home buyers from the core cities. These cities formed a more comprehensive eco-industrial chain of their own and look forward to more stable development in the property market. The other kind which is the majority will be those third and fourth-tier cities with high-stocking problem and harsh business environment. The transaction volume and market price of the properties in the first and second-tier markets are likely to be maintained. However, after the massive unleash of demand for better residential properties, it is expected that the demand for housing will have to be accumulated for some time in the coming year, with transaction volume not larger than this year. As the result, the Group will continue to maintain a strong focus in Shanghai and its peripheral regions in 2016.

In 2016, 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 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. Meanwhile, with the advancing in urbanization and changes in demographic structure, the era of high profit margins in the property market is over. It is expected that the property developers will compete by ways of professionalism, financialization and meticulousness in the future. As a result, the Group will adjust its strategies according to the actual situation to lower the risk. 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 and support. 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

24 March 2016
Hong Kong

DIRECTORS

Executive Directors

Mr. Chiang Chen Feng（江陳鋒）, aged 51, 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 and Underlying Shares of the Company" in this annual report.

Ms. Chang Hsiu Hua（張秀華）, aged 50, 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 two other subsidiaries of the Company. Ms. Chang is the spouse of Mr. Chiang Chen Feng, the Chairman and an executive Director.

Mr. Han Lin（韓林）, aged 48, 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 two other subsidiaries of the Company. Since January 2003, he was appointed as a deputy general manager of the business development department of Shanghai Fortune Sun and had been responsible for the business development of the Group. In May 2009, he was appointed as the vice-president of Shanghai Fortune Sun.

Non-executive Director

Ms. Lin Chien Ju（林倩如）, aged 43, 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 and Underlying Shares of the Company" in this annual report.

Independent Non-executive Directors

Mr. Ng Wai Hung（吳偉雄）, aged 52, has been appointed as an independent non-executive Director since June 2006. Mr. Ng is a practising solicitor and a partner in Iu, Lai & Li, a Hong Kong firm of solicitors. Mr. Ng practises in the areas of securities law, corporate law and commercial law of Hong Kong. Mr. Ng is also an independent non-executive director of seven other companies listed on the Stock Exchange, namely GOME Electrical Appliances Holding Limited (Stock Code: 00493), Sustainable Forest Holdings Limited (Stock Code: 00723), Trigiant Group Limited (Stock Code: 01300), Kingbo Strike Limited (Stock Code: 01421), Tech Pro Technology Development Limited (Stock Code: 03823), On Time Logistics Holdings Limited (Stock Code: 06123) and Laijin Entertainment Network Group Limited (formerly known as China Star Cultural Media Group Limited) (Stock Code: 08172). Mr. Ng was also an independent non-executive director of Tomorrow International Holdings Limited (currently known as Talent Property Group Limited) (Stock Code: 00760), Perception Digital Holdings Limited (currently known as E-Rental Car Company Limited) (Stock Code: 01822) and Hycomm Wireless Limited (currently known as Qingdao Holdings International Limited) (Stock Code: 00499), which he resigned in January 2012, August 2014 and September 2014, respectively.

Mr. Cui Shi Wei（崔士威）, aged 64, 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.

Dr. Cheng Chi Pang（鄭志鵬）, aged 58, has been appointed as an independent non-executive Director since June 2006. Dr. Cheng obtained a bachelor's degree in Business, a master degree in Business Administration and a doctorate degree of Philosophy in Business Management from Curtin University of Technology, Heriot-Watt University and Burkes University in 1992, 1998 and 2003 respectively. In addition, Dr. Cheng obtained a Master of Laws (Chinese and Comparative Law) from City University of Hong Kong. Dr. Cheng is an associate member of the Hong Kong Institute of Certified Public Accountants, Institute of Chartered Accountants in England and Wales, the Australian Society of Certified Practising Accountants and the Taxation Institute of Hong Kong and a fellow member of the Hong Kong Institute of Directors. Dr. Cheng is a Certified Public Accountant practising in Hong Kong and has over 30 years of experience in auditing, business advisory and financial management. Dr. Cheng had been a group financial controller of NWS Holdings Limited (Stock Code: 00659), the shares of which are listed on the Stock Exchange. Currently, Dr. Cheng is the senior partner of Leslie Cheng & Co. Certified Public Accountants and the chairman and chief executive officer of L & E Consultants Limited. Dr. Cheng is also a non-executive director of Wai Kee Holdings Limited (Stock Code: 00610) and Build King Holdings Limited (Stock Code: 00240); an independent non-executive director of China Ting Group Holdings Limited (Stock Code: 03398) and Tianjin Port Development Holdings Limited (Stock Code: 03382), all of which are companies listed on the Stock Exchange. Dr. Cheng was also an independent non-executive director of Nine Dragons Paper (Holdings) Limited (Stock Code: 02689), which he resigned in March 2016.

SENIOR MANAGEMENT

Ms. Wang Jia（王佳）, aged 46, 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 23 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. Wu Yungang（吳蘊鋼）, aged 38, is a regional general manager of Shanghai Fortune Sun and is responsible for coordinating all development projects and managing day-to-day operations of Shanghai Fortune Sun. Mr. Wu joined the Group in September 1997 and had held the positions of deputy manager, manager, the regional senior manager and the deputy general manager of sales department in Shanghai Fortune Sun. Mr. Wu graduated from the Artillery College of the PRC Liberation Army with certificate of administration and management in June 2005. Mr. Wu has 18 years of experience in real estate sales and marketing.

Mr. Lee Kwai San（李桂新）, aged 54, is the chief financial officer and the company secretary of the Company since November 2015 and is responsible for the financial, accounting and company secretarial functions of the Group. Mr. Lee has more than 25 years of experience in the finance and investment banking industry. Mr. Lee has previously worked in a number of investment banks and securities companies and was in charge of finance, compliance and company secretarial functions. Moreover, he also gained auditing experience in an international accounting firm before joining the finance and investment banking industry. Mr. Lee graduated from the Hong Kong Polytechnic (currently known as Hong Kong Polytechnic University) and is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants and the Hong Kong Securities and Investment Institute.

MARKET AND BUSINESS REVIEW

In 2015, the overall operating environment of the property sector was slightly better than that as in the last year, primarily due to the gradual phased out of the administrative and control measures by the Central government to let the market force to exert its adjustment force. At the same time, it managed to reduce high-stocking pressure by various initiatives such as lowering the deposit and loan interest rate and the down payment ratio as well as promoting provident fund lending coming from outside to secure the steady development of the property market. Therefore, from the perspective of the volume and price, both the area sold and sales amount of commodity properties in the PRC in 2015 increased by over 5% as compared to the last year. The area sold of commodity properties in the PRC was the second highest since 1999, just second to 2013, and the sales amount surpassed that 2013 and achieved an historic high. The situation which was imbalanced was pulled by extraordinary large amount of volume and sales recorded in a few cities. Substantial surge in both volume and price and increase in land premium in a few cities were witnessed. Some developers were willing to acquire lands with unreasonable high price, resulted in extremely high price unwilling sellers in some cities, certain new districts even became dormant cities. Therefore, for the bullish first and second-tier cities or deserted third and fourth-tier cities, what are essential for the property projects to stand out from others are quality products, professional services and precise advertisement, which resulted in the current highly-competitive situation within the industry in capital cost and specialty. Therefore, the Group's primary property sales agency business was severely affected with continuous drop in area sold during the year.

Regarding the Group's operations in the year under review on a geographical sense, most of the Group's recorded revenue was generated from projects in Hubei Province, followed by Jiangsu Province and Shanghai, which represented approximately 37.77%, 34.35% and 18.75% of the Group's total revenue respectively. On a comparative basis, in 2014, the Group's recorded revenue was mainly generated from projects in Shanghai, followed by Hubei Province and Jiangsu Province. Regarding business and products segments, during the year under review, although the revenue generated from the comprehensive property consultancy and sales agency service business decreased, it remained a major source of income for the Group and accounted for approximately 94.95% of the total revenue (2014: approximately 93.87%), while the revenue generated from the pure property planning and consultancy accounted for approximately 5.05% of the total revenue (2014: approximately 6.13%).

In 2015, the Group recorded revenue of approximately RMB18,328,000, representing a decrease of approximately 23.04% as compared to the revenue in the corresponding period of last year and gross profit decreased from approximately RMB3,678,000 in last year to approximately RMB1,914,000. Despite a decrease in overall cost of services of approximately 19.18%, the gross profit margin also dropped to approximately 10.44% during the year under review from approximately 15.44% in last year as major cost of services such as sales staff costs and marketing expenses had not declined proportionately. The overall operating and administrative expenses dropped slightly by approximately 2.92% as compared to last year. Besides, there was a credit of deferred tax of approximately RMB4,247,000. Therefore, the loss attributable to owners of the Company for the year under review decreased to RMB4,924,000 from the loss of approximately RMB6,045,000 for the preceding year.

COMPREHENSIVE PROPERTY CONSULTANCY AND 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 2015, most of the revenue of the Group was generated from 17 comprehensive property consultancy and sales agency service projects (2014: 20 projects) with approximately 112,000 square meters (2014: approximately 181,000 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 2015 was approximately RMB17,403,000, representing approximately 94.95% of the total revenue of the Group (2014: approximately RMB22,355,000, representing approximately 93.87% of the total revenue).

As at 31 December 2015, the Group had 19 comprehensive property consultancy and sales agency service projects on hand with total unsold gross floor areas of approximately 388,000 square meters (2014: approximately 1,873,000 square meters). Among these 19 projects, sales of the underlying properties of 3 projects have not yet commenced as at 31 December 2015.

PURE PROPERTY PLANNING AND CONSULTANCY BUSINESS

During the year ended 31 December 2015, the Group implemented in total 8 pure property planning and consultancy service projects (2014: 6 projects). Owing to the lack of large-sized consultancy projects as a result of the sluggish property market in the PRC, the reported revenue generated from this business segment for the year decreased by approximately 36.60% to RMB925,000, representing 5.05% of the total revenue for the year of 2015 (2014: approximately RMB1,459,000, representing 6.13% of the total revenue).

PROSPECTS

Starting from the second half of 2014, many provinces and cities began to implement easing policies, including those relating to relaxing the restrictions on property purchasing. The development of the property sector as an influential and implicative industry is not likely to be suppressed in the long run. The policies carried out in the last two years brought some stimulus effects to renew optimism in the strength of demand. As a result, the property market is likely to be prosperous this year. However, after the unleash of the long lasting suppressive market, the soaring growth of demand will definitely over-consume some of the demand in the future, resulting in the need to secure more customers in the short term. The soaring growth in demand is not expected to be persistent.

In 2016, the Group will continue to focus on the comprehensive property consultancy and sales agency service as its main businesses and will remain cautious on the market. 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 first and second-tier cities. The Group will also strive to secure more property consultancy and sales agency service projects.

The Group will maintain a strong focus in Shanghai in 2016. Although Shanghai as a first-tier city of substantial population is still subject to the policies of restrictions on property purchases, its transaction volume will still be at high levels in the year. Under the current economic situation and industry environment, the consensus of the developers would be returning to the first-tier cities. As such, Shanghai has remained the core of our business development. Our secondary focus will be Jiangsu Province, where there are cities in excellent locations with more promising economic development and innovation, but the development of its property market is less certain. Our candidate of expansion choice in 2016 will be Anhui Province whose housing price in various cities is relatively stable but not high in absolute value. In other words, there is less concern about the emergence of property bubble and in general there is better risk resilience. As for Hubei Province, the growth in property price is fast recently and there is large supply of housing, resulting in highly competitive environment and harsh operating environment in the property agency business. As for Zhejiang Province, the economic conditions of the residents are better and the operating environment in the property agency business is more stable, it therefore will be one of our major operating regions.

On 1 September 2015, the Group announced the rights issue of shares on the basis of one rights share for every five existing shares held at the price of HK$0.85 per rights share. The rights issue was over-subscribed and a total of 40,596,000 rights shares were allotted and issued on 17 November 2015. As at 31 December 2015, actual net proceeds was approximately HK$33.3 million, which will be applied to (a) the comprehensive property consultancy and sales agency business; (b) the potential establishment of an apartment rental platform in the PRC; and (c) the general working capital and/or future investment opportunities should suitable opportunities become available. As at the date of this annual report, the Group has not identified any specific acquisition target.

The year 2016 will remain as a year for the Group to broaden sources of income and to minimize expenditures. The management of the Group will endeavor to incentivize their employees to proactively identify new projects and new developers to identify appropriate investment opportunities, and strive to cut operating expenses by means of strengthening budget management and cost control, so as to pursue a long-term development for the Company and its employees as a whole and satisfactory return to the shareholders of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

In the year of 2015, the Group's source of funds was mainly cash generated from financing activities.

As at 31 December 2015, the Group had net current assets of approximately RMB66,310,000 (2014: approximately RMB54,375,000), total assets of approximately RMB79,500,000 (2014: approximately RMB64,941,000) and shareholders' funds of approximately RMB72,920,000 (2014: approximately RMB48,423,000).

As at 31 December 2015, the bank and cash balances of the Group amounted to approximately RMB42,871,000 (2014: approximately RMB14,360,000).

BANK BORROWINGS AND OVERDRAFTS

The Group had no bank borrowings or overdrafts as at 31 December 2015 (2014: RMB Nil).

INDEBTEDNESS AND CHARGE ON ASSETS

The Group did not have any short term borrowing (2014: RMB Nil) nor long term borrowing (2014: RMB8,000,000) as at 31 December 2015.

As at 31 December 2015, 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% (2014: 16.52%).

FOREIGN EXCHANGE RISKS

As the Group's sales are denominated in Renminbi, the Group's purchases and expenses are either denominated in Renminbi 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 borrowing rates of the Group were mainly floating rates based on the benchmark interest rate for RMB loans of the same periods from financial institutions announced by the People's Bank of China. During the year of 2015, the People's Bank of China reduced for 5 times the benchmark interest rate for three-year RMB loans from 6.00% to 4.75% up to October 2015. The Group's exposure to interest rate risk exposure mainly stemmed from fluctuations of borrowing rates for the Group's debts. Interest rate hikes will increase the cost of borrowings of the Group.

STAFF AND GROUP'S EMOLUMENT POLICY

As at 31 December 2015, the Group had a total of 126 staff (2014: 163 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 2015, save for the Group's 3% equity interest in Shanghai Hengda Group (Jiangsu) Investment Co., Ltd.（上海恒大集團（江蘇）投資有限公司）("Shanghai Hengda") as set out in note 19 to the consolidated financial statements and the investment properties held by the Group as set out in the section headed "Summary of Major Properties" of this annual report, no other significant investment was held by the Group. As at the date of this annual report, save for the continuing investment in Shanghai Hengda and 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 2015 (2014: Nil).

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 31 December 2015 (2014: Nil).

The board (the "Board") of directors (the "Directors") of Fortune Sun (China) Holdings Limited (the "Company") are pleased to present the annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015.

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 primary property market in the PRC. Particulars of the Company's subsidiaries are set out in note 18 to the consolidated financial statements. The nature of the principal activities of the Group has not changed during the year under review.

Environmental Policies

In light of the Group's principal activities, the Directors consider that the Group's businesses do not have any direct adverse impact on the environment. Nevertheless, the Group is committed to building an environmentally-friendly corporation that pays close attention to conserving resources for its operation and raise environmental awareness within the Group. During the year, the key environmental impacts from the Group's operations relate to office energy and paper consumption. The Group strives to minimize any possible impacts or harms to the environment by, among others, reducing unnecessary usage of paper, saving electricity and encouraging recycle of office supplies and other materials. When providing comprehensive property consultancy or pure property planning and consultancy services, the Group would also consider the possible environmental impacts of such plans.

Important events subsequent to the financial year

The Directors are not aware of any important events affecting the Company that have occurred since the end of the financial year.

Business Review

During the year, 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 14 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 and the state of affairs of the Company and the Group as at 31 December 2015 are set out in the consolidated financial statements on pages 45 to 98 of this annual report.

On 24 March 2016, the Directors resolved not to recommend any final dividend to the shareholders of the Company (the "Shareholders") for the year ended 31 December 2015 due to the loss for the year of the Group.

CLOSURE OF REGISTER OF MEMBERS

To ascertain Shareholders' entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 17 June 2016 (the "2016 AGM"), the register of members of the Company will be closed from Wednesday, 15 June 2016 to Friday, 17 June 2016 (both days inclusive) during which period no transfer of shares will be registered.

In order to qualify for attending and voting at the 2016 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, being the Company's branch share registrar and transfer office in Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 14 June 2016.

INVESTMENT PROPERTIES

Details of investment properties of the Group are set out in note 17 to the consolidated financial statements as well as the section headed "Summary of Major Properties" on page 100 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Company and of the Group during the year under review are set out in note 16 to the consolidated financial statements.

CHANGES IN SHARE CAPITAL

Reference is made to the announcements of the Company dated 1 September 2015, 22 September 2015 and 16 November 2015 and the prospectus of the Company dated 26 October 2015 in relation to, among other things, the rights issue ("Rights Issue") on the basis of one (1) rights share for every five (5) existing Shares held on 23 October 2015.

On 16 November 2015, the Company completed the Rights Issue, issuing 40,596,000 rights shares in total at the subscription price of HK$0.85 per rights share. As a result of the Rights Issue, the Company's number of issued Shares and paid up share capital increased to 243,576,000 Shares and HK$24,357,600 on 16 November 2015 respectively.

(i) Reasons and Intended Use of Proceeds of the Rights Issue

As disclosed in the announcement of the Company dated 1 September 2015 and the prospectus of the Company dated 26 October 2015, the Board considered that it was an opportune moment for the Company to strengthen its financial position through the Rights Issue after having considered various fund raising methods. The Board considered that it was prudent to support the continuing development of the Group's business activities by way of the Rights Issue which would not only strengthen the Group's capital base and enhance its financial position at reasonable costs, but would also provide the Shareholders the opportunity to participate in the future business development of the Group through the Rights Issue at a price lower than the then market price of the Shares.

The net proceeds raised by way of the Rights Issue was intended to be applied by the Group as to approximately 31% for the use of the comprehensive property consultancy and sales agency business, approximately 46% for potential establishment of an apartment rental platform in the PRC, and the remaining for general working capital and/or future investment opportunities when suitable opportunities become available. Should there be no suitable investment opportunities becoming available, the Group intended to apply the remaining balance of the total net proceeds in comprehensive property consultancy and sales agency business and/or apartment rental business by identifying more projects.

(ii) Actual Use of Proceeds of the Rights Issue

The actual net proceeds received by the Company from the Rights Issue as at 31 December 2015 was approximately HK$33.3 million. As at the date of this report, the net proceeds from the Rights Issue has not been applied by the Group, and the Directors expect that the proceeds would be applied in accordance with the intended uses as described in the prospectus of the Company dated 26 October 2015 without material changes. As at the date of this report, the Group has not identified any specific acquisition target.

Details of movements in share capital of the Company during the year under review are also set out in note 26 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Company and of the Group are set out in note 27(b) to the consolidated financial statements and the consolidated statement of changes in equity on page 49 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 2015, the Company's reserves available for distribution amounted to approximately RMB34,608,000 (2014: RMB11,217,000).

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 99 of this annual report.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

Advance of Shareholders' Loan

Reference is made to the announcement of the Company dated 27 August 2010 in relation to the acquisition of 3% interest in the entire registered capital of Shanghai Hengda, a limited liability company established in the PRC on 9 July 2010 with fully paid up registered capital of RMB50,000,000. On 27 August 2010, a joint investment agreement ("Joint Investment Agreement") was entered into by the Group with the then shareholders of Shanghai Hengda. Pursuant to the Joint Investment Agreement, the Group and the parties thereto shall severally provide to Shanghai Hengda unsecured, non-interest bearing shareholders' loan for an aggregate sum of RMB669,875,050 (the "Shareholders' Loan"), out of which the Group had committed to provide RMB14,500,000 in total for the purposes of financing the acquisition and joint development of two pieces of land located in Yancheng City, Jiangsu Province, the PRC.

Reference is also made to the announcement of the Company dated 27 April 2012. Pursuant to a supplemental agreement dated 27 April 2012 entered into between Shanghai Fu Yang Property Consultant Co., Limited（上海富陽物業諮詢有限公司）("Shanghai Fortune Sun"), Shanghai Zhongyi Investment Management Consultancy Co., Ltd.（上海中邑投資管理諮詢有限公司）and Shanghai Hengda, Shanghai Fortune Sun agreed to pay an additional amount of the Shareholders' Loan in the sum of RMB4,177,139 to Shanghai Hengda on the basis of, among others, the pro rata shareholding interests of Shanghai Fortune Sun in Shanghai Hengda.

As at 31 December 2015, the Shareholder's Loan contributed by Shanghai Fortune Sun amounting to RMB11,519,334 (2014: RMB12,361,693) in aggregate is unsecured, interest free and has no fixed terms of repayment. The Shareholders' Loan is accounted for as other receivable as of 31 December 2015 and 31 December 2014 respectively.

As the amount of the Shareholder's Loan represents approximately 14.49% under the assets ratio as defined under Rule 14.07(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as at 31 December 2015, the Company's general disclosure obligation of certain particulars of the Shareholder's Loan as prescribed under Rule 13.20 of the Listing Rules arose.

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

Dr. Cheng Chi Pang
Mr. Cui Shi Wei
Mr. Ng Wai Hung

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 2016 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 the non-executive Director and the independent non-executive Directors has been appointed for a term of one year commencing from 10 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 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 2016 AGM has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (except for statutory compensation).

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENT

The emolument payable to Directors is determined by the Board with reference to recommendations given by the remuneration committee of the Company to the Board taking into account the Directors' duties and responsibilities. Details of the Directors' remuneration during the year under review is set out in note 13 to the consolidated financial statements.

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

	Number of individuals	
	2015	2014
HK$Nil to HK$1,000,000 (equivalent to approximately RMBNil to RMB805,800 in 2015 and approximately RMBNil to RMB792,400 in 2014)	4*	3

* Including Mr. Ip Siu Kay as one of the senior management, who has resigned as the company secretary of the Company with effect form 1 November 2015

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the year, the Company and Active Star Investment Limited, a company incorporated in the British Virgin Islands which is ultimately and wholly owned by Mr. Chiang Chen Feng, entered into an underwriting agreement in relation to the underwriting arrangement in respect of the Rights Issue. In addition, an irrevocable undertaking letter was executed by Upwell Assets Corporation, the entire issued share capital of which was evenly and ultimately owned by Ms. Lin Chien Ju and her sister, Ms. Lin Shu Chi, in favour of the Company in respect of the Rights Issue.

Particulars of a related party transaction is disclosed in note 31 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 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Name of Directors	Company/ Name of associated corporation	Capacity	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Chiang Chen Feng ("Mr. Chiang")	The Company	Interest of a controlled corporation (Note 2)	86,385,979 Ordinary Shares (L)	35.30%
		Beneficial owner and interest of spouse (Note 3)	1,637,390 Ordinary Shares (L)	0.67%
Ms. Lin Chien Ju ("Ms. Lin")	The Company	Interest of a controlled corporation (Note 4)	43,622,460 Ordinary Shares (L)	17.82%
		Beneficial owner (Note 5)	105,217 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)	2.88%
		Beneficial owner (Note 6)	2,840,869 Ordinary Shares (L)	1.15% (Note 12)
Ms. Chang Hsiu Hua ("Ms. Chang")	The Company	Interest of spouse (Note 7)	86,385,979 Ordinary Shares (L)	35.30%
		Beneficial owner and interest of spouse (Note 8)	1,637,390 Ordinary Shares (L)	0.67%
Dr. Cheng Chi Pang ("Dr. Cheng")	The Company	Beneficial owner (Note 9)	105,217 Ordinary Shares (L)	0.04% (Note 12)
Mr. Ng Wai Hung ("Mr. Ng")	The Company	Beneficial owner (Note 10)	105,217 Ordinary Shares (L)	0.04% (Note 12)
Mr. Cui Shi Wei ("Mr. Cui")	The Company	Beneficial owner (Note 11)	105,217 Ordinary Shares (L)	0.04% (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 was also the sole director 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. 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.

5. The long position of Ms. Lin in these 105,217 Shares comprised the 100,000 options granted to her by the Company under the Share Option Scheme on 12 March 2008 and upward adjustment of 5,217 to the number of options as a result of Rights Issue completed in November 2015.

6. The long position of Mr. Han in these 2,840,869 Shares comprised the 750,000 options and 1,950,000 options granted to him by the Company under the Pre-IPO Share Option Scheme and the Share Option Scheme on 12 March 2008 respectively and total upward adjustment of 140,869 to the number of options as a result of Rights Issue completed in November 2015.

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

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

9. The long position of Dr. Cheng in these 105,217 Shares represented 100,000 options granted to him by the Company under the Share Option Scheme on 12 March 2008 and upward adjustment of 5,217 to the number of options as a result of Rights Issue completed in November 2015.

10. The long position of Mr. Ng in these 105,217 Shares represented 100,000 options granted to him by the Company under the Share Option Scheme on 12 March 2008 and upward adjustment of 5,217 to the number of options as a result of Rights Issue completed in November 2015.

11. The long position of Mr. Cui in these 105,217 Shares represented 100,000 options granted to him by the Company under the Share Option Scheme on 12 March 2008 and upward adjustment of 5,217 to the number of options as a result of Rights Issue completed in November 2015.

12. These percentages are calculated on the basis of 247,995,127 Shares in issue as at 31 December 2015, assuming that all the then outstanding options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme had been exercised as at that date.

Save as disclosed above, as at 31 December 2015, 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 and 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 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 AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2015, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of Shareholder	Capacity	Number and class of securities (Note 1)	Approximate percentage of shareholding
Active Star	Beneficial owner (Note 2)	86,385,979 Ordinary Shares (L)	35.30%
Upwell Assets	Beneficial owner (Note 3)	43,622,460 Ordinary Shares (L)	17.82%
Ms. Lin Shu Chi	Interest of a controlled corporation (Note 3)	43,622,460 Ordinary Shares (L)	17.82%
Honorway Nominees Limited ("Honorway Nominees")	Beneficial owner (Note 4)	19,528,103 Ordinary Shares (L)	7.98%
Honorway Investments Limited	Interest of a controlled corporation (Note 4)	19,528,103 Ordinary Shares (L)	7.98%
Mr. Ho Hau Chong, Norman	Interest of a controlled corporation (Note 4)	19,528,103 Ordinary Shares (L)	7.98%
Ms. Yvette Therese Ma	Interest of spouse (Note 5)	19,528,103 Ordinary Shares (L)	7.98%
Mr. Ho Hau Hay, Hamilton	Interest of a controlled corporation (Note 4)	19,528,103 Ordinary Shares (L)	7.98%
Ms. Sharon Young	Interest of spouse (Note 6)	19,528,103 Ordinary Shares (L)	7.98%

Notes:

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

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

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

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

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

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

Save as disclosed above, as at 31 December 2015, 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 pre-IPO share option scheme ("Pre-IPO Share Option Scheme") was adopted pursuant to the written resolutions passed by all Shareholders on 10 June 2006. The purpose of the Pre-IPO Share Option Scheme is to recognise and reward the contribution of certain directors, senior management, employees, consultants and advisers of the Group to the growth and development of the Group and the listing of the Company on the Main Board of the Stock Exchange.

A post-IPO share option scheme ("Share Option Scheme") was also adopted pursuant to the written resolutions passed by all Shareholders on 10 June 2006. 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.

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. The Share Option Scheme will remain in force for a period of 10 years commencing from 10 June 2006.

Details of the movements in the Company's outstanding share options granted under the Pre-IPO Share Option Scheme and Share Option Scheme for the year ended 31 December 2015 were as follows:

Category of participant	Outstanding as at 1 January 2015	Adjusted during the year (Note 1)	Granted during the year	Exercised during the year	Outstanding as at 31 December 2015	Date of grant	Exercise period	Exercise price per Share prior to 12 November 2015 (Note 1) HK$	Exercise price per Share with effect from 12 November 2015 (Note 1) HK$	Closing price of the Shares on the trading day immediately before the date of grant HK$
	Number of shares in respect of share options									
Directors:										
Mr. Chiang	750,000	39,130	–	789,130	–	10/06/2006	05/07/2007 to 04/07/2016	0.795	0.756	N/A
	50,000	2,608	–	52,608	–	12/03/2008	12/03/2009 to 11/03/2018	1.12	1.065	1.12
	50,000	2,609	–	52,609	–	12/03/2008	12/03/2010 to 11/03/2018	1.12	1.065	1.12
	850,000	44,347	–	894,347	–					
Mr. Han	750,000	39,130	–	–	789,130	10/06/2006	05/07/2007 to 04/07/2016	0.795	0.756	N/A
	975,000	50,869	–	–	1,025,869	12/03/2008	12/03/2009 to 11/03/2018	1.12	1.065	1.12
	975,000	50,870	–	–	1,025,870	12/03/2008	12/03/2010 to 11/03/2018	1.12	1.065	1.12
	2,700,000	140,869	–	–	2,840,869					
Ms. Chang	550,000	7,826	–	557,826	–	10/06/2006	05/07/2007 to 04/07/2016	0.795	0.756	N/A
	50,000	2,608	–	52,608	–	12/03/2008	12/03/2009 to 11/03/2018	1.12	1.065	1.12
	50,000	2,609	–	52,609	–	12/03/2008	12/03/2010 to 11/03/2018	1.12	1.065	1.12
	650,000	13,043	–	663,043	–					
Ms. Lin	50,000	2,608	–	–	52,608	12/03/2008	12/03/2009 to 11/03/2018	1.12	1.065	1.12
	50,000	2,609	–	–	52,609	12/03/2008	12/03/2010 to 11/03/2018	1.12	1.065	1.12
	100,000	5,217	–	–	105,217					
Dr. Cheng	50,000	2,608	–	–	52,608	12/03/2008	12/03/2009 to 11/03/2018	1.12	1.065	1.12
	50,000	2,609	–	–	52,609	12/03/2008	12/03/2010 to 11/03/2018	1.12	1.065	1.12
	100,000	5,217	–	–	105,217					
Mr. Ng	50,000	2,608	–	–	52,608	12/03/2008	12/03/2009 to 11/03/2018	1.12	1.065	1.12
	50,000	2,609	–	–	52,609	12/03/2008	12/03/2010 to 11/03/2018	1.12	1.065	1.12
	100,000	5,217	–	–	105,217					
Mr. Cui	50,000	2,608	–	–	52,608	12/03/2008	12/03/2009 to 11/03/2018	1.12	1.065	1.12
	50,000	2,609	–	–	52,609	12/03/2008	12/03/2010 to 11/03/2018	1.12	1.065	1.12
	100,000	5,217	–	–	105,217					

Category of participant	Number of shares in respect of share options: Outstanding as at 1 January 2015	Adjusted during the year (Note 1)	Granted during the year	Exercised during the year	Outstanding as at 31 December 2015	Date of grant	Exercise period	Exercise price per Share prior to 12 November 2015 (Note 1) HK$	Exercise price per Share with effect from 12 November 2015 (Note 1) HK$	Closing price of the Shares on the trading day immediately before the date of grant HK$
Employees:										
In aggregate	650,000	–	–	650,000	–	12/03/2008	12/03/2009 to 11/03/2018	1.12	1.065	1.12
	650,000	–	–	650,000	–	12/03/2008	12/03/2010 to 11/03/2018	1.12	1.065	1.12
	1,300,000	–	–	1,300,000	–					
	5,900,000	219,127	–	2,857,390	3,261,737					

Notes:

1. Pursuant to the terms of the Pre-IPO Share Option Scheme and the Share Option Scheme and in compliance with Rule 17.03(13) of the Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005, and as a result of the completion of the Rights Issue, the exercise prices and the number of Shares entitled to be subscribed for under the outstanding share options were adjusted with effect from 12 November 2015, being the date on which the Rights Issue became unconditional.

During the year ended 31 December 2015, 1,346,956 options and 1,510,434 options had been exercised under the Pre-IPO Share Option Scheme and under the Share Option Scheme respectively.

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 and any other share option scheme of the Group (including the Pre-IPO Share Option Scheme) must not in aggregate exceed 30% of the Shares in issue from time to time (i.e. 73,420,017 Shares as at the date of this annual 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, Pre-IPO 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, the Pre-IPO 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 annual report, options granted under the Share Option Scheme to subscribe for 2,472,607 Shares, and options granted under the Pre-IPO Share Option Scheme to subscribe for 789,130 Shares, representing approximately 1.01% and 0.32% of the issued share capital of the Company at the date respectively, remained outstanding.

As at the date of this annual 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 20,047,000 Shares, representing approximately 8.19% of the issued share capital of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the section headed "Share Option Schemes" above, during the year under review, no rights to acquire benefits by means of the acquisition of Shares in or 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 2015, 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 2015, 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.

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 2015.

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 36.74% and 84.52% 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 35.77% and 51.14% of the Group's total purchases of the year respectively.

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

PUBLIC FLOAT

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

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by RSM Hong Kong who will retire at the conclusion of the forthcoming 2016 AGM. A resolution will be proposed at the forthcoming 2016 AGM to re-appoint RSM Hong Kong as auditor of the Company for the year ending 31 December 2016.

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

Mr. Chiang Chen Feng
Chairman

Hong Kong, 24 March 2016

CORPORATE GOVERNANCE

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

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of 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 2015.

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

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

MODEL CODE FOR DIRECTORS' SECURITIES

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standards set out in the Model Code and the Company's code of conduct during the year ended 31 December 2015. The interests held or deemed to be held by individual Directors in the Company's securities as at 31 December 2015 are set out on pages 21 to 23 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 Dr. Cheng Chi Pang, Mr. Ng Wai Hung and Mr. Cui Shi Wei. Mr. Chiang Chen Feng is the chairman of the Board. Their biographical details are set out on pages 7 to 8 of this report.

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

All Directors including the non-executive Directors, are subject to retirement by rotation at annual general meetings of the Company at least once every three years pursuant to article 108(A) of the Articles of Association. During the year under review, Dr. Cheng Chi Pang, Mr. Ng Wai Hung and Mr. Cui Shi Wei retired by rotation and were re-elected as Directors at the annual general meeting of the Company held on 19 June 2015.

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 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 each of the independent non-executive Directors have served on the Board for more than nine 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 2015, the Board convened a total of six 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)*	6/6
Ms. Chang Hsiu Hua	6/6
Mr. Han Lin	5/6
Non-executive Director	
Ms. Lin Chien Ju	6/6
Independent non-executive Directors	
Dr. Cheng Chi Pang	6/6
Mr. Ng Wai Hung	6/6
Mr. Cui Shi Wei	6/6

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 convened eight meetings during the year ended 31 December 2015. The individual attendance record of each member of the Executive Committee is tabulated as follows:

Name of Members	Attendance/ Number of meeting
Mr. Chiang Chen Feng *(Chairman)*	8/8
Ms. Chang Hsiu Hua	8/8
Mr. Han Lin	8/8

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, Dr. Cheng Chi Pang and Mr. Ng Wai Hung. 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. Pursuant to the Board diversity policy adopted by the Board, 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: (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.

During the year ended 31 December 2015, 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
Dr. Cheng Chi Pang	1/1
Mr. Ng Wai Hung	1/1

No nomination of new Director has taken place during the year ended 31 December 2015.

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 Dr. Cheng Chi Pang, Mr. Ng Wai Hung and Mr. Cui Shi Wei. Dr. Cheng Chi Pang is the chairman of the Audit Committee.

The Audit Committee was set up for the purposes of reviewing and supervising the financial reporting process and internal control procedures of the Group and reviewing 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 2015, the Audit Committee met with the external auditor to review and approve the audit plans and also reviewed the Group's annual results of 2014 and interim results of 2015 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 2015. The Audit Committee convened three meetings during the year ended 31 December 2015. The individual attendance record of each member of the Audit Committee is tabulated as follows:

Name of Members	Attendance/ Number of meetings
Dr. Cheng Chi Pang *(Chairman)*	3/3
Mr. Ng Wai Hung	3/3
Mr. Cui Shi Wei	3/3

REMUNERATION COMMITTEE

The Board has established a remuneration committee (the "Remuneration Committee") with written terms of reference on 10 June 2006. The written terms of reference have been published on the websites of the Company and the Stock Exchange. The Remuneration Committee consists of three independent non-executive Directors, namely Dr. Cheng Chi Pang, Mr. Ng Wai Hung and Mr. Cui Shi Wei. 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 2015, 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 2014. 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 2015, 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. Ng Wai Hung	1/1
Dr. Cheng Chi Pang	1/1

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 training 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	
Dr. Cheng Chi Pang	A
Mr. Ng Wai Hung	A
Mr. Cui Shi Wei	A

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 2015, the remuneration payable/paid to RSM Hong Kong, the external auditor of the Company, is set out as follows:

Services rendered	Fees payable/paid RMB'000
Audit services	463
Non-audit services (included Rights Issue related services)	177
Total	640

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.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to facilitate effective and efficient operations, to safeguard assets, to prevent and detect fraud and error, and to ensure the quality and timely preparation of internal and external reporting and compliance with applicable laws and regulations. The management of the Group is dedicated to improving the efficiency of accounting and financial reporting. During the year under review, the Board had reviewed, through the external auditor, the adequacy and effectiveness of the internal control system (covering accounting and financial reporting, operational and compliance controls and risk management functions), and annual and semi-annual budget of the Group.

The Company has maintained a tailored governance structure with clear lines of responsibility and appropriate delegation of responsibility and authority to the senior management, who are accountable for the conduct and performance of the respective business divisions under their supervision.

The Chairman and executive Directors review monthly reports on the financial results and project progress of each business undertaking of the Group. Monthly management meetings are held to review business performance against budgets and risk management strategies. Any major variances are highlighted for investigation and control purposes.

There are established guidelines and procedures for the approval and control of expenditures. The aim is to keep the expenditure level in line with the annual budget and within the cost budget of an approved project. Expenditures are subject to overall budget control with approval levels set by reference to the level of responsibility of each manager. Depending on the nature and value, procurement of certain goods and services are required to go through the tendering process. No individual in the Group, irrespective of their rank and position, are allowed to dominate the entire expenditure process from commitment to payment. The Company has complied with the CG Code on internal control during the reporting period.

COMPANY SECRETARY

Mr. Ip Siu Kay has resigned as company secretary of the Company with effect from 1 November 2015.

Mr. Lee Kwai San has been appointed as company secretary of the Company since 1 November 2015. Mr. Lee has confirmed that for the year under review, he has taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

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

Shareholders' enquiries to the Board

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

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

Address:	Room 1115, 11th Floor, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong
Hotline:	(852) 2893 7866
Fax:	(852) 2893 7177
Email:	ir@fortune-sun.com

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

Putting forward proposals at Shareholders' meeting

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

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

(ii) Other proposals

If a Shareholder wishes to make other proposals at a general meeting, he may lodge a written request, duly signed, at the Company's principal place of business in Hong Kong at Room 1115, 11th Floor, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong marked for the attention of the company secretary of the Company.

Change in constitutional documents

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

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

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

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

The 2015 AGM was held on 19 June 2015. 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	
Dr. Cheng Chi Pang	1/1
Mr. Ng Wai Hung	1/1
Mr. Cui Shi Wei	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.

RSM

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

We have audited the consolidated financial statements of Fortune Sun (China) Holdings Limited (the "Company") and its subsidiaries set out on pages 45 to 98, which comprise the consolidated statement of financial position as at 31 December 2015, 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Hong Kong
Certified Public Accountants
Hong Kong

24 March 2016

Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Revenue	7	**18,328**	23,814
Business tax and other levies		**(473)**	(412)
Cost of services rendered		**(15,941)**	(19,724)
Gross profit		**1,914**	3,678
Other income	8	**1,402**	3,643
Operating and administrative expenses		**(11,989)**	(12,383)
Loss from operations		**(8,673)**	(5,062)
Finance cost – loan interest		**(498)**	(983)
Loss before tax		**(9,171)**	(6,045)
Income tax expense	10	**4,247**	–
Loss for the year attributable to owners of the Company	11	**(4,924)**	(6,045)
		RMB cents	(Restated) RMB cents
Loss per share	15		
Basic		**(2.30)**	(2.90)
Diluted		**N/A**	N/A

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
Loss for the year	**(4,924)**	(6,045)
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**583**	(127)
Other comprehensive income for the year, net of tax	**583**	(127)
Total comprehensive income for the year attributable to owners of the Company	**(4,341)**	(6,172)

Consolidated Statement of Financial Position

At 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	16	**1,297**	888
Investment properties	17	**3,522**	3,616
Golf club membership		**291**	291
Available-for-sale financial assets	19	**1,500**	1,500
		6,610	6,295
Current assets			
Trade receivables	20	**12,771**	19,888
Trade deposits	21	**4,627**	10,880
Prepayments and other deposits		**492**	658
Other receivables	22	**12,129**	12,860
Bank and cash balances	23	**42,871**	14,360
		72,890	58,646
Current liabilities			
Accruals and other payables		**6,580**	4,271
Net current assets		**66,310**	54,375
Total assets less current liabilities		**72,920**	60,670

Consolidated Statement of Financial Position

At 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Non-current liabilities			
Other loan	24	–	8,000
Deferred tax liabilities	25	–	4,247
		–	12,247
NET ASSETS		**72,920**	48,423
Capital and reserves			
Share capital	26	**24,276**	20,708
Reserves		**48,644**	27,715
TOTAL EQUITY		**72,920**	48,423

Approved by the Board of Directors on 24 March 2016 and are signed on its behalf by:

Chang Hsiu Hua
Director

Han Lin
Director

	Attributable to owners of the Company							
	Share capital	**Share premium** (note 28(b)(i))	**Merger reserve** (note a)	**Reserve fund** (note b)	**Share-based payment reserve** (note 28(b)(ii))	**Foreign currency translation reserve** (note 28(b)(iii))	**Accumulated losses**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	20,644	40,433	14,554	16,621	3,736	(2,443)	(39,459)	54,086
Issue of new shares on exercise of share options (note 29)	64	708	–	–	(263)	–	–	509
Share options lapsed after vesting period	–	–	–	–	(110)	–	110	–
Total comprehensive income for the year	–	–	–	–	–	(127)	(6,045)	(6,172)
Changes in equity for the year	64	708	–	–	(373)	(127)	(5,935)	(5,663)
At 31 December 2014	20,708	41,141	14,554	16,621	3,363	(2,570)	(45,394)	48,423
At 1 January 2015	20,708	41,141	14,554	16,621	3,363	(2,570)	(45,394)	48,423
Issue of new shares on exercise of share options (note 29)	230	3,212	–	–	(1,263)	–	–	2,179
Issue of new shares under rights issue (note 26(a))	3,338	23,321	–	–	–	–	–	26,659
Total comprehensive income for the year	–	–	–	–	–	583	(4,924)	(4,341)
Changes in equity for the year	3,568	26,533	–	–	(1,263)	583	(4,924)	24,497
At 31 December 2015	24,276	67,674	14,554	16,621	2,100	(1,987)	(50,318)	72,920

Note:

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(9,171)**	(6,045)
Adjustments for:		
Interest income	**(448)**	(574)
Interest expense on other loan	**498**	983
Depreciation of property, plant and equipment	**384**	528
Depreciation of investment properties	**94**	92
Gain on disposals of property, plant and equipment	**–**	(98)
Reversal of allowance for trade deposits	**(832)**	(1,152)
Allowance for/(reversal of allowance for) trade receivables	**489**	(1,741)
Operating loss before working capital changes	**(8,986)**	(8,007)
Decrease/(increase) in trade receivables	**6,628**	(2,129)
Decrease in trade deposits	**7,085**	3,479
Decrease in prepayments and other deposits	**166**	123
Decrease in other receivables	**731**	6,431
Increase/(decrease) in accruals and other payables	**1,567**	(193)
Net cash generated from/(used in) operating activities	**7,191**	(296)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(825)**	(123)
Proceeds from disposals of property, plant and equipment	**35**	124
Interest received	**448**	574
Net cash (used in)/generated from investing activities	**(342)**	575

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of new shares on exercise of share options	**2,179**	509
Net proceeds from issue of new shares under rights issue	**27,398**	–
Repayment of other loan	**(8,000)**	–
Interest paid on other loan	**(498)**	(983)
Net cash generated from/(used in) financing activities	**21,079**	(474)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**27,928**	(195)
Effect of foreign exchange rate changes	**583**	(127)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**14,360**	14,682
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**42,871**	14,360
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**42,871**	14,360

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 Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business in Hong Kong is Room 1115, 11th Floor, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong and its head office is located at Unit 901, 9th Floor, Orient Building, No. 1500 Century Avenue, Pudong New District, Shanghai, the PRC. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited since 5 July 2006.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 18 to the consolidated financial statements.

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 and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

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

(a) Application of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2015:

Amendment to HKAS 16 and HKAS 38 (Annual Improvements to HKFRSs 2010–2012 Cycle)

The amendment clarifies how the gross carrying amount and the accumulated depreciation/amortisation are treated where an entity uses the revaluation model. As the Group does not use the revaluation model, there was no effect on its consolidated financial statements.

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

(a) Application of new and revised HKFRSs *(Continued)*

Amendments to HKAS 19, Defined Benefit Plans: Employee Contributions

The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In particular, contributions that are independent of the number of years of service can be recognised as a reduction in the service cost in the period in which the related service is rendered (instead of attributing them to the periods of service). As the Group has no post-employment benefit plans requiring employees or third parties to meet some of the cost of the plan, the amendments had no effect on the Group's consolidated financial statements.

Amendment to HKAS 24 (Annual Improvements to HKFRSs 2010–2012 Cycle)

The amendment clarifies how payments to entities providing key management personnel services are to be disclosed. This amendment had no effect on the Group's consolidated financial statements.

Amendment to HKAS 40 (Annual Improvements to HKFRSs 2011–2013 Cycle)

The amendment clarifies the application of HKFRS 3 and HKAS 40 in respect of acquisitions of investment property. HKAS 40 assists preparers to distinguish between investment property and owner-occupied property, then HKFRS 3 helps them to determine whether the acquisition of an investment property is a business combination. The amendment had no effect on the Group's consolidated financial statements.

Amendment to HKFRS 8 (Annual Improvements to HKFRSs 2010–2012 Cycle)

The amendment requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, and clarifies that reconciliations of the total of the reportable segments' assets to the entity's assets are required only if the segment assets are reported regularly. These clarifications had no effect on the Group's consolidated financial statements.

Amendment to HKFRS 13 (Annual Improvements to HKFRSs 2011–2013 Cycle)

The amendment clarifies that the portfolio exception in HKFRS 13 – allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis – applies to all contracts (including non-financial) within the scope of HKAS 39/HKFRS 9. This had no effect on the Group's consolidated financial statements.

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

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2015. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKFRS 10, HKFRS12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

[2] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted

(c) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(d) Amendments to the Rules Governing the Listing of Securities on the Stock Exchange

The Stock Exchange in April 2015 released revised Appendix 16 of the Rules Governing the Listing of Securities in relation to disclosure of financial information in annual reports that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Company has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the 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 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.

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Foreign currency translation

(i) Functional and presentation currency

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

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

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

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

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

(iii) Translation on consolidation

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Foreign currency translation *(Continued)*

(iii) Translation on consolidation *(Continued)*

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

(c) Property, plant and equipment

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Investment properties

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

After initial recognition, the investment property is stated at cost less accumulated depreciation and impairment losses. The depreciation is calculated using the straight-line method to allocate the cost to the residual value over its estimated useful life of 35 to 40 years or the lease term after taking into account a residual value of 10%, if shorter.

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

(e) Operating leases

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

(f) Golf club membership

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

(g) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss. Interest calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) 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.

(j) 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.

(k) 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.

(l) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Financial liabilities and equity instruments *(Continued)*

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(ii) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(iii) Equity instruments

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

(m) Revenue recognition

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Revenue recognition *(Continued)*

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

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

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

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

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

(n) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Employee benefits *(Continued)*

(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.

(o) 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.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Taxation

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) 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.

(s) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

In addition, for trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

For available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. In respect of available-for-sale equity securities, an increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in revaluation reserve; impairment losses are not reversed through profit or loss.

(t) 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.

(u) 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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

The carrying amount of property, plant and equipment and investment properties as at 31 December 2015 were approximately RMB1,297,000 and RMB3,522,000 respectively (2014: RMB888,000 and RMB3,616,000).

(b) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables and trade deposits, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and trade deposits and doubtful debt expenses in the year in which such estimate has been changed.

As at 31 December 2015, accumulated impairment loss for bad and doubtful debts of trade receivable and trade deposits amounted to approximately RMB2,456,000 and RMB758,000 respectively (2014: RMB1,967,000 and RMB1,590,000).

(c) Income taxes

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

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities 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.

(b) Credit risk

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 19% (2014: 28%) of the trade receivables and trade deposits at the end of reporting period.

The credit risk on bank and cash balances is 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 20 and 21 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 maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	Less than 1 year or on demand RMB'000	**Between 1 and 2 years RMB'000**	**Between 2 and 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
At 31 December 2015					
Accruals and other payables	**6,580**	**–**	**–**	**–**	**6,580**

	Less than 1 year or on demand RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2014					
Other loan	960	8,960	–	–	9,920
Accruals and other payables	4,271	–	–	–	4,271

(d) Interest rate risk

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

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**72,599**	58,550
Available-for-sale financial assets	**1,500**	1,500
Financial liabilities:		
Financial liabilities at amortised cost	**6,580**	12,271

(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 is as follows:

	2015 RMB'000	2014 RMB'000
Comprehensive property consultancy and sales agency service projects	**17,403**	22,355
Pure property planning and consultancy service projects	**925**	1,459
	18,328	23,814

8. OTHER INCOME

	2015 RMB'000	2014 RMB'000
Interest income	**448**	574
Gain on disposals of property, plant and equipment	**–**	98
Net exchange gain	**12**	–
Reversal of allowance for trade receivables	**–**	1,741
Reversal of allowance for trade deposits	**832**	1,152
Sundry income	**110**	78
	1,402	3,643

9. SEGMENT INFORMATION

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

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

Revenue from major customers

	2015 RMB'000	2014 RMB'000
Customer a	**6,734**	6,376
Customer b	**4,342**	–
Customer c	**1,934**	6,557

10. INCOME TAX EXPENSE

Income tax credit has been recognised in profit or loss as following:

	2015 RMB'000	2014 RMB'000
Deferred tax and income tax credit (note 25)	**(4,247)**	–

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

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

No PRC enterprise income tax has been made in the current year as the relevant group entities incurred a loss or utilised the tax losses brought forward to set off against assessable profit for both years.

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

	2015 RMB'000	2014 RMB'000
Loss before tax	**(9,171)**	(6,045)
Tax at the domestic income tax rate of 25% (2014: 25%)	**(2,293)**	(1,511)
Tax effect of income that is not taxable	**(208)**	(723)
Tax effect of expenses that are not deductible	**840**	759
Tax effect of tax losses not recognised	**37**	1,636
Tax effect of temporary differences not recognised	**–**	(161)
Tax effect of utilisation of tax losses not previously recognised	**(417)**	–
Tax losses recognised	**(2,206)**	–
Income tax credit	**(4,247)**	–

11. LOSS FOR THE YEAR

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

	2015 RMB'000	2014 RMB'000
Auditor's remuneration	463	456
Depreciation of property, plant and equipment	384	528
Depreciation of investment properties	94	92
Gain on disposals of property, plant and equipment	–	(98)
Net exchange (gain)/loss	(12)	32
Operating lease charges on land and buildings	2,021	2,967
Allowance for/(reversal of allowance)		
– Trade receivables	489	(1,741)
– Trade deposits (*)	(832)	(1,152)

(*) Due to improvement of some project developers' ability to pay during the year, there was an improvement of the cash collection from some long aged projects. As a result, allowance made in prior years against trade deposits of approximately RMB832,000 was reversed.

12. EMPLOYEE BENEFITS EXPENSE

	2015 RMB'000	2014 RMB'000
Employee benefits expense:		
Salaries, bonuses and allowances	9,533	11,412
Retirement benefits scheme contributions	1,521	2,014
	11,054	13,426

12. EMPLOYEE BENEFITS EXPENSE *(Continued)*

The five highest paid individuals in the Group during the year included three (2014: two) directors whose emoluments are reflected in the analysis presented in note 13. The emoluments of the remaining two (2014: three) individuals are set out below:

	2015	2014
	RMB'000	RMB'000
Fees, salaries and allowances	**807**	1,383
Retirement benefit scheme contributions	**33**	46
	840	1,429

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
HK$Nil to HK$1,000,000 (equivalent to RMBNil to RMB805,800) (2014: equivalent to RMBNil to RMB792,400)	**2**	3

13. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments:

The remuneration of every director is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking			
	Fees	Salaries and allowances	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Name of executive directors				
Mr. Chiang Chen Feng	–	648	–	648
Ms. Chang Hsiu Hua	–	576	–	576
Mr. Han Lin	–	347	78	425
Name of non-executive director				
Ms. Lin Chien Ju	150	–	–	150
Name of independent non-executive directors				
Mr. Ng Wai Hung	144	–	–	144
Mr. Cui Shi Wei	155	–	–	155
Dr. Cheng Chi Pang	155	–	–	155
Total for 2015	604	1,571	78	2,253
Name of executive directors				
Mr. Chiang Chen Feng	–	785	–	785
Ms. Chang Hsiu Hua	–	558	–	558
Mr. Han Lin	–	334	74	408
Name of non-executive director				
Ms. Lin Chien Ju	150	–	–	150
Name of independent non-executive directors				
Mr. Ng Wai Hung	140	–	–	140
Mr. Cui Shi Wei	153	–	–	153
Dr. Cheng Chi Pang	153	–	–	153
Total for 2014	596	1,677	74	2,347

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

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

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2014: nil).

The remuneration of the directors of the Group by band for the years ended 31 December 2015 and 2014 is set out below:

	Number of individuals	
	2015	2014
HK$Nil to HK$1,000,000 (equivalent to RMBNil to RMB805,800) (2014: equivalent to RMBNil to RMB792,400)	**3**	2

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

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

Apart from the transaction as disclosed in note 31, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

14. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,500 (before 1 June 2014: HK$1,250) per employee and vest fully with employees when contributed into the MPF Scheme.

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

15. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately RMB4,924,000 (2014: RMB6,045,000) and the weighted average number of ordinary shares of 213,829,426 (2014: 208,551,113 as restated) in issue during the year after adjusting the effect of the rights issue (note 26(a)) in November 2015. The basic loss per share for 2014 had been adjusted accordingly.

(b) Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 December 2015 and 2014.

16. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures RMB'000	Computers RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
At 1 January 2014	508	1,837	2,128	3,142	7,615
Additions	–	42	81	–	123
Disposals/write off	–	(67)	(184)	(123)	(374)
Exchange differences	(25)	(3)	1	–	(27)
At 31 December 2014 and 1 January 2015	483	1,809	2,026	3,019	7,337
Additions	66	22	686	51	825
Disposals/write off	–	(180)	(1,941)	(170)	(2,291)
Exchange differences	3	3	5	–	11
At 31 December 2015	552	1,654	776	2,900	5,882
Accumulated depreciation and impairment					
At 1 January 2014	473	1,548	2,128	2,147	6,296
Charge for the year	6	76	18	428	528
Disposals/write off	–	(60)	(184)	(104)	(348)
Exchange differences	(25)	(3)	1	–	(27)
At 31 December 2014 and 1 January 2015	454	1,561	1,963	2,471	6,449
Charge for the year	9	61	199	115	384
Disposals/write off	–	(162)	(1,941)	(153)	(2,256)
Exchange differences	3	3	2	–	8
At 31 December 2015	466	1,463	223	2,433	4,585
Carrying amount					
At 31 December 2015	86	191	553	467	1,297
At 31 December 2014	29	248	63	548	888

17. INVESTMENT PROPERTIES

	Land RMB'000	Buildings RMB'000	Total RMB'000
Cost			
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	2,249	1,878	4,127
Accumulated depreciation and impairment			
At 1 January 2014	221	198	419
Charge for the year	50	42	92
At 31 December 2014 and 1 January 2015	271	240	511
Charge for the year	51	43	94
At 31 December 2015	322	283	605
Carrying amount			
At 31 December 2015	1,927	1,595	3,522
At 31 December 2014	1,978	1,638	3,616

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

	2015 RMB'000	2014 RMB'000
Outside Hong Kong:		
Long-term leases	**1,659**	1,705
Medium-term leases	**1,863**	1,911
	3,522	3,616

17. INVESTMENT PROPERTIES *(Continued)*

(b) Valuation processes of the Group

The Group obtained independent valuation from Asset Appraisal Limited, a member of the Hong Kong Institute of Surveyors, for its investment properties at least annually. For all investment properties, their current use equates to the highest and best use. Asset Appraisal Limited is of the opinion that had the Group's investment properties been carried at their fair values, the amount would be RMB9,730,000 (2014: RMB10,270,000).

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

(c) Valuation techniques

Fair values of investment properties are generally derived using the direct comparison method. This valuation method is based on the prices information of comparable properties. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market values. In estimating the building element of the properties, the depreciated replacement cost approach is adopted. This approach requires an estimate of the new replacement costs of the buildings and structures of the properties from which deductions are then made to allow for age, conditions, and functional obsolescence.

17. INVESTMENT PROPERTIES *(Continued)*

(d) Significant inputs used to determine fair value

As at 31 December 2015, the key assumptions adopted in the valuation in determining fair value were in the following ranges for the Group's portfolio of properties:

Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2015
Price per square metre	RMB3,313 to RMB25,000	Increase	RMB9,730,000

Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2014
Price per square metre	RMB3,313 to RMB27,000	Increase	RMB10,270,000

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

(e) At 31 December 2015, no investment properties were pledged as security for the Group's other loan (2014: RMB8,000,000) as set out in the note 24 to the consolidated financial statements.

18. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2015 are as follows:

Name	Place of incorporation and date of incorporation	Issued and registered	Attributable equity interests 2015	Attributable equity interests 2014	Principal activities
Directly held:					
Millstone	British Virgin Islands, 29 October 2002	100,000 ordinary shares 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
Shanghai Yang Shi Enterprise Development Company Limited	PRC, 9 September 2009	RMB2,000,000 registered capital	**-**	100%	Deregistration completed on 1 July 2015

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.

As at 31 December 2015, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to approximately RMB12,917,000 (2014: RMB12,833,000). 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.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 RMB'000	2014 RMB'000
Unlisted investment, at cost	**1,500**	1,500

The above unlisted investment represents 3% equity interest investment in Shanghai Hengda Group (Jiangsu) Investment Co., Ltd. ("Shanghai Hengda"), a private entity established in the PRC.

Unlisted investment is denominated in RMB and was carried at cost as they do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

None of this financial asset is either past due or impaired.

20. TRADE RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**15,227**	21,855
Less: Allowance for trade receivables	**(2,456)**	(1,967)
	12,771	19,888

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

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

	2015 RMB'000	2014 RMB'000
0 to 90 days	**4,092**	6,129
91 to 180 days	**1,404**	6,744
181 to 365 days	**1,699**	1,912
1 to 2 years	**2,734**	2,544
Over 2 years	**2,842**	2,559
	12,771	19,888

20. TRADE RECEIVABLES *(Continued)*

Reconciliation of allowance for trade receivables:

	2015 RMB'000	2014 RMB'000
At 1 January	**1,967**	3,708
Allowance/(reversal of allowance) for the year	**489**	(1,741)
At 31 December	**2,456**	1,967

At the end of the reporting period, the Group reviewed receivables for evidence of impairment on both an individual and collective basis. Allowance recognised for 2015 were on trade receivables which were individually impaired customers which are experiencing financial difficulties and are in default or delinquency of payments.

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

As of 31 December 2015, trade receivables of approximately RMB8,679,000 (2014: RMB13,759,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2015 RMB'000	2014 RMB'000
Up to 3 months	**1,404**	6,744
4 to 9 months	**1,699**	1,912
10 to 21 months	**2,734**	2,544
More than 21 months	**2,842**	2,559
	8,679	13,759

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

21. TRADE DEPOSITS

	2015 RMB'000	2014 RMB'000
Trade deposits	**5,385**	12,470
Less: Allowance for trade deposits	**(758)**	(1,590)
	4,627	10,880

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

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

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

	2015 RMB'000	2014 RMB'000
91 to 180 days	**–**	8
181 to 365 days	**–**	925
Over 1 year and up to 2 years	**40**	152
Over 2 years and up to 3 years	**155**	640
Over 3 years	**4,432**	9,155
	4,627	10,880

21. TRADE DEPOSITS *(Continued)*

Reconciliation of allowance for trade deposits:

	2015 RMB'000	2014 RMB'000
At 1 January	**1,590**	2,742
Reversal of allowance for the year	**(832)**	(1,152)
At 31 December	**758**	1,590

At the end of the reporting period, the Group reviewed the trade deposits for evidence of impairment on both an individual and collective basis. Allowance recognised for 2015 and 2014 were on trade deposits which were individually impaired customers which are experiencing financial difficulties and are in default or delinquency of payments.

As of 31 December 2015, trade deposits of approximately RMB1,284,000 (2014: RMB3,541,000) were past due but not impaired. The ageing analysis of these trade deposits is as follows:

	2015 RMB'000	2014 RMB'000
Over 1 year or above	**1,284**	3,541

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

22. OTHER RECEIVABLES

Included in other receivables is a shareholder's loan to Shanghai Hengda of RMB11,519,000 (2014: RMB12,362,000). This shareholder's loan is unsecured, interest-free and has no fixed terms of repayment.

23. BANK AND CASH BALANCES

As at 31 December 2015, the Group's bank and cash balances included short-term bank deposits amounted to RMB9,000,000 (2014: RMB11,000,000). The deposits are in RMB and at a fixed interest rate in a range of 3.65% to 3.75% (2014: 4.30%) per annum and therefore is subject to fair value interest rate risk.

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

	2015 RMB'000	2014 RMB'000
RMB	**12,917**	12,833
United States dollar	**208**	75
HKD	**29,746**	1,452
	42,871	14,360

24. OTHER LOAN

As at 31 December 2014, the other loan from an unrelated company was denominated in RMB, interest-bearing at a floating interest rate based on twice of the benchmark interest rate for RMB loans of the same periods from financial institutions announced by the People's Bank of China, thus exposes the Group to cash flow interest rate risk and was repayable on or before December 2016. The other loan was secured by the Group's investment properties as set out in the note 17 to the consolidated financial statements.

As at 31 December 2015, the Group has fully settled the other loan prior to its due date, and therefore, the corresponding investment properties charged as security of other loan have been released.

25. DEFERRED TAX

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

	Deferred revenue RMB'000	Tax losses RMB'000	Deferred expenditure RMB'000	Total RMB'000
At 1 January 2014, 31 December 2014 and 1 January 2015	4,863	–	(616)	4,247
(Credit)/charge to profit or loss	(2,381)	(2,206)	340	(4,247)
At 31 December 2015	2,482	(2,206)	(276)	–

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

	2015 RMB'000	2014 RMB'000
Deferred tax liabilities	**2,482**	4,863
Deferred tax assets	**(2,482)**	(616)
	–	4,247

At the end of the reporting period the Group had unused tax losses of approximately RMB18,903,000 (2014: RMB22,748,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB8,823,000 (2014: RMBnil) of such losses. No deferred tax asset has been recognised in respect of remaining RMB10,080,000 (2014: RMB22,748,000) due to the unpredictability of future profit streams.

25. DEFERRED TAX *(Continued)*

As at 31 December 2015, the Group's tax losses will expire in the following years:

	2015 RMB'000	2014 RMB'000
In 2020	150	–
In 2019	2,373	2,448
In 2018	–	147
In 2017	3,043	3,927
In 2016	13,337	15,439
In 2015	–	787
	18,903	22,748

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.

26. SHARE CAPITAL

	Number of ordinary shares	Nominal value	
	'000	HK$'000	RMB'000
Authorised:			
Ordinary shares of HK$0.1 each			
At 1 January 2014, 31 December 2014,			
1 January 2015 and 31 December 2015	2,000,000	200,000	206,000

26. SHARE CAPITAL *(Continued)*

	Number of ordinary shares	Nominal value	
	’000	HK$’000	RMB’000
Issued and fully paid:			
Ordinary shares of HK$0.1 each			
At 1 January 2014	200,470	20,047	20,644
Exercise of share options (note 29)	810	81	64
At 31 December 2014 and 1 January 2015	201,280	20,128	20,708
Issue of new shares under rights issue	40,596	4,060	3,338
Exercise of share options (note 29)	2,857	285	230
At 31 December 2015	244,733	24,473	24,276

Note:

(a) On 16 November 2015, the Company completed its rights issue by issuing 40,596,000 rights shares on the basis of one rights share for every five then existing shares, at the subscription price of HK$0.85 per rights share (the “rights issue”). The net cash proceeds of approximately HK$33,315,000 (equivalent to RMB27,398,000), after share issue expenses of approximately HK$2,134,000 (equivalent to RMB1,719,000) are used to finance the repayment of existing debts and for general working capital of the Group. The rights issue has increased the share capital of the Company by approximately HK$4,060,000 (equivalent to RMB3,338,000). Those rights shares rank pari passu in all respects with the ordinary shares of the Company in issue on that date.

(b) During the year ended 31 December 2015, 2,857,000 ordinary shares of HK$0.1 each were issued in relation to share options exercised by senior management under the Pre-IPO Share Option Scheme and Share Option scheme of the Company at a range of HK$0.756 to HK$1.12 for a total cash consideration of HK$2,714,011 (equivalent to RMB2,179,093). The excess of the subscription consideration received over the nominal values issued, amounted to HK$4,003,321 (equivalent to RMB3,212,597) was credited to the share premium account.

26. SHARE CAPITAL *(Continued)*

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.

The Group monitors capital using a gearing ratio, which is the Group's total debts over its total assets. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2015 was 0% (2014: 12.3%). The decrease in the gearing ratio during 2015 resulted primarily from the fully settlement on the other loan.

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 2015, 42.8% (2014: 43.3%) of the shares were in public hands.

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

(a) Statement of financial position of the Company

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment		**38**	63
Investments in subsidiaries		**103**	103
		141	166
Current assets			
Prepayments and other deposits		**97**	96
Amounts due from subsidiaries		**30,972**	32,779
Bank and cash balances		**29,738**	775
		60,807	33,650
Current liabilities			
Accruals and other payables		**1,239**	598
Amount due to a subsidiary		**825**	1,293
		2,064	1,891
Net current assets		**58,743**	31,759
NET ASSETS		**58,884**	31,925
Capital and reserves			
Share capital		**24,276**	20,708
Reserves	27(b)	**34,608**	11,217
TOTAL EQUITY		**58,884**	31,925

Approved by the Board of Directors on 24 March 2016 and are signed on its behalf by:

Chang Hsiu Hua
Director

Han Lin
Director

27. 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 2014	40,433	3,736	(7,562)	(23,301)	13,306
Currency translation differences	–	–	(130)	–	(130)
Share options lapsed after vesting period	–	(110)	–	110	–
Issue of new shares on exercise of share options	708	(263)	–	–	445
Loss for the year	–	–	–	(2,404)	(2,404)
At 31 December 2014	41,141	3,363	(7,692)	(25,595)	11,217
At 1 January 2015	41,141	3,363	(7,692)	(25,595)	11,217
Currency translation differences	–	–	998	–	998
Issue of new shares on exercise of share options	3,212	(1,263)	–	–	1,949
Issue of new shares under rights issue (note 26(a))	23,321	–	–	–	23,321
Loss for the year	–	–	–	(2,877)	(2,877)
At 31 December 2015	67,674	2,100	(6,694)	(28,472)	34,608

28. RESERVES

(a) Group

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

(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(o) 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.

29. SHARE-BASED PAYMENTS

Equity-settled share option scheme

A pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") was adopted pursuant to a written resolution passed by all shareholders of the Company on 10 June 2006. The purpose of the Pre-IPO Share Option Scheme is to recognise and reward the contribution of certain directors, senior management, employees, consultants and advisers of the Group to the growth and development of the Group and the listing to the Stock Exchange.

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

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

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

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

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

29. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

Details of the specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Adjusted exercise price (note a) HK$
Pre-IPO Share Option Scheme	10/6/2006	5/7/2006 to 4/7/2007	5/7/2007 to 4/7/2016	0.756
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

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.

29. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

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

	2015		2014	
	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	**5,900,000**	**1.000**	6,910,000	0.990
Adjustment in respect of the rights issue (note a)	**219,127**	**0.010**	–	–
Exercise during the year	**(2,857,390)**	**0.950**	(810,000)	0.795
Forfeited during the year	**–**	**–**	(200,000)	1.120
Outstanding at the end of the year	**3,261,737**	**0.990**	5,900,000	1.000
Exercisable at the end of the year	**3,261,737**	**0.990**	5,900,000	1.000

Note:

(a) The number and exercise price of the outstanding share options were adjusted as a result of completion of the rights issue as set out in the note 26 to the consolidated financial statements.

(b) The closing share price at the date of exercise for share options exercised during the year was HK$0.990 (2014: HK$1.210). The options outstanding at the end of the year have a weighted average remaining contractual life of 1.6 years (2014: average life of 2.6 years) and the adjusted exercise prices range from HK$0.756 to HK$1.065 (2014: unadjusted exercise prices range from HK$0.795 to HK$1.120).

(c) Save as disclosed above, there were no options granted during the year ended 31 December 2015 (2014: nil).

30. COMMITMENTS

(i) Operating lease commitments

At 31 December 2015 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015 **RMB'000**	2014 RMB'000
Within one year	**1,330**	1,426
In the second to fifth years inclusive	**1,044**	513
	2,374	1,939

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

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

	2015 **RMB'000**	2014 RMB'000
Legal and professional fee	**500**	500

31. RELATED PARTY TRANSACTION

	2015 **RMB'000**	2014 RMB'000
Rental expense to a related company owned by a director of the Company	**446**	–

32. CONTINGENT LIABILITIES

At 31 December 2015 the Group did not have any significant contingent liabilities (2014: RMB nil).

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

	Year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**18,328**	23,814	34,956	30,908	19,075
Loss for the year attributable to owners of the Company	**(4,924)**	(6,045)	(1,783)	(816)	(28,164)

	At 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES					
Total assets	**79,500**	64,941	70,797	73,020	77,460
Total liabilities	**6,580**	16,518	16,711	17,141	20,757
Total equity	**72,920**	48,423	54,086	55,879	56,703

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