FORTUNET E-COMMERCE GROUP LIMITED
鑫網易商集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1039)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

HIGHLIGHTS

- Revenue of the Group increased by 126.3% to RMB385.5 million for the year ended 31 December 2016 (2015: RMB170.4 million)

- The Group recorded a loss of RMB240.4 million for the year ended 31 December 2016 (2015: RMB615.0 million). Loss for the year ended 31 December 2016 decreased by RMB374.6 million (60.9%) as a result of less provisions or write-down are made for the year ended 31 December 2016 than 2015.

- Net loss attributable to equity shareholders of the Company amounted to RMB176.6 million for the year ended 31 December 2016 (2015: RMB574.0 million)

- The Board does not recommend the payment of any final dividend for the year ended 31 December 2016.

- At present, there are a lot of business opportunities available to our e-Commerce business, which is experiencing rapid growth in the PRC. Looking forward, the Group will commit time and resources to continuously develop our e-Commerce businesses. By start-up of the "Point-Connect" point reward system and platform business, the Group expects that the new business could create commercial synergies with our e-Commerce business.

The board (the "**Board**") of directors (the "**Directors**") of Fortunet e-Commerce Group Limited (the "**Company**") present herewith the annual audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016
(Expressed in Renminbi ("RMB"))

	Note	**2016**	2015
		RMB'000	*RMB'000*
Revenue	*4*	**385,468**	170,355
Cost of sales		**(398,180)**	(330,160)
Gross loss	*4(b)*	**(12,712)**	(159,805)
Other income	*5*	**22,806**	9,498
Selling and distribution expenses		**(26,841)**	(45,527)
Administrative expenses		**(76,275)**	(86,384)
Research and development costs		**(23,200)**	(27,388)
Impairment losses	*6*	**(33,404)**	(312,288)
Loss from operations		**(149,626)**	(621,894)
Finance costs	*7(a)*	**(85,288)**	(48,732)
Loss on financial guarantee contracts issued	*17*	**(30,965)**	–
Gain on disposal of a subsidiary		**–**	39,409
Loss before taxation	*7*	**(265,879)**	(631,217)
Income tax	*8(a)*	**25,512**	16,264
Loss and total comprehensive income for the year		**(240,367)**	(614,953)
Attributable to:			
Equity shareholders of the Company		**(176,604)**	(573,978)
Non-controlling interests		**(63,763)**	(40,975)
Loss and total comprehensive income for the year		**(240,367)**	(614,953)
Loss per share			
Basic and diluted (RMB)	*9*	**(0.12)**	(0.42)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

(Expressed in RMB)

	Note	**2016**	2015
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**82,970**	109,528
Lease prepayments		**11,207**	11,484
Intangible assets		**22,667**	18,124
Goodwill		**61,013**	61,013
Deferred tax assets	*16(b)*	**50,487**	26,270
		228,344	226,419
Current assets			
Inventories		**29,259**	63,604
Trade and other receivables	*10*	**315,373**	49,490
Assets classified as held-for-sale	*11*	**70,398**	240,920
Pledged bank deposits		**461**	53
Cash and cash equivalents		**90,002**	195,632
		505,493	549,699
Current liabilities			
Trade and other payables	*12*	**159,511**	150,924
Bank and other loans		**195,665**	171,904
Secured notes	*13*	**141,161**	–
Convertible bonds	*14*	**115,976**	–
Provisions	*17*	**30,965**	–
Liabilities classified as held-for-sale	*11*	**–**	167,278
		643,278	490,106
Net current (liabilities)/assets		**(137,785)**	59,593
Total assets less current liabilities		**90,559**	286,012

	Note	2016	2015
		RMB'000	*RMB'000*
Non-current liabilities			
Secured notes	*13*	–	128,271
Convertible bonds	*14*	–	80,409
Deferred tax liabilities	*16(b)*	**3,946**	5,241
		3,946	213,921
NET ASSETS		**86,613**	72,091
CAPITAL AND RESERVES			
Share capital	*19*	**108,209**	98,557
Reserves		**66,798**	(4,696)
Total equity attributable to equity shareholders of the Company		**175,007**	93,861
Non-controlling interests		**(88,394)**	(21,770)
TOTAL EQUITY		**86,613**	72,091

NOTES

(Expressed in RMB unless otherwise indicated)

1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2016 comprise the Group.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for derivative financial instruments which are stated at their fair values.

Non-current assets and disposal groups held-for-sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

For the year ended 31 December 2016, the Group had incurred net loss of RMB240,367,000 and net cash used in operating activities of RMB71,317,000, and as at 31 December 2016, the Group had net current liabilities of RMB137,785,000. Notwithstanding of the above, taken into consideration the net proceeds of HK$569,004,000 (equivalent to approximately RMB506,670,000, after deducting the transaction costs) in total obtained from the placing of 138,888,000 and 151,515,000 new shares of the Company completed in December 2016 and January 2017 as described in Notes 19(b) and 20(a), respectively, and based on a cash flow forecast of the Group for the twelve months ending 31 December 2017 prepared by the management, the directors of the Company are of the opinion that the Group would have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period. Accordingly, the directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the manufacture and sale of axles and related components, and the trading of goods through operation of an electronic distribution platform, mobile applications and other related means in the PRC.

The Group's customer base is diversified. There were three customers with whom transactions exceeded 10% of the Group's revenue for the year ended 31 December 2016 (2015: three customers). Revenue from sales to these customers amounted to RMB270,973,000 for the year ended 31 December 2016 (2015: RMB75,655,000).

Further details regarding the Group's principal activities are disclosed below.

(b) Segment reporting

The Group manages its businesses by lines of business. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment, the Group has presented the following two reportable segments:

- Axle business: this segment manufactures and sells axles and related components to truck manufacturers and after-sales services market.

- E-commerce business: this segment trades goods through electronic distribution platform, mobile applications and other related means.

No operating segments have been aggregated to form the above reportable segments.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and expenses incurred by those segments. No inter-segment sales have occurred for the years ended 31 December 2016 and 2015. The Group's other operating expenses, such as selling and distribution expenses, administrative expenses, research and development costs, impairment losses and finance costs, are not measured under individual segments. The measure used for reporting segment result is gross profit/(loss).

Segment assets and liabilities include all assets and liabilities with the exception of assets and liabilities classified as held-for-sale, bank and other loans, secured notes, convertible bonds and unallocated corporate assets and liabilities.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 is set out below.

	2016		
	Axle business *RMB'000*	**E-commerce business** *RMB'000*	**Total** *RMB'000*
Revenue from external customers and reportable segment revenue	**83,380**	**302,088**	**385,468**
Reportable segment gross loss	**(7,155)**	**(5,557)**	**(12,712)**
Reportable segment assets	**171,560**	**233,800**	**405,360**
Reportable segment liabilities	**173,524**	**36,004**	**209,528**

	2015		
	Axle business *RMB'000*	E-commerce business *RMB'000*	Total *RMB'000*
Revenue from external customers and reportable segment revenue	127,183	43,172	170,355
Reportable segment gross loss	(159,131)	(674)	(159,805)
Reportable segment assets	189,824	342,551	532,375
Reportable segment liabilities	126,143	24,014	150,157

(ii) Reconciliations of reportable segment assets and liabilities

	2016	2015
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**405,360**	532,375
Assets classified as held-for-sale	**70,398**	240,920
Unallocated head office and corporate assets	**302,961**	54,950
Elimination of receivables between segments, and segments and head office	**(44,882)**	(52,127)
Consolidated total assets	**733,837**	776,118
Liabilities		
Reportable segment liabilities	**209,528**	150,157
Bank and other loans	**195,665**	171,904
Liabilities classified as held-for-sale	**–**	167,278
Secured notes	**141,161**	128,271
Convertible bonds	**115,976**	80,409
Unallocated head office and corporate liabilities	**29,776**	58,135
Elimination of payables between segments, and segments and head office	**(44,882)**	(52,127)
Consolidated total liabilities	**647,224**	704,027

(iii) Geographic information

All of the revenue of the Group for the years ended 31 December 2016 and 2015 were generated from sales to customers in the PRC. All of the non-current assets of the Group are either physically located or allocated to operations in the PRC.

5 OTHER INCOME

	2016	2015
	RMB'000	*RMB'000*
Net gain on disposal of property, plant and equipment and assets classified as held-for-sale	**15,070**	8,720
Government grants	**1,075**	950
Others	**6,661**	(172)
	22,806	9,498

6 IMPAIRMENT LOSSES

	2016	2015
	RMB'000	*RMB'000*
Impairment losses on property, plant and equipment	**13,746**	53,675
Impairment losses on trade and other receivables *(Note 10(b))*	**18,249**	262,643
Reversal of impairment losses on lease prepayments	**–**	(4,030)
Impairment losses on assets classified as held-for-sale	**1,409**	–
	33,404	312,288

7 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2016	2015
	RMB'000	*RMB'000*
(a) Finance costs:		
Interest on bank and other loans	**17,090**	20,410
Finance charges on secured notes	**21,459**	10,426
Finance charges on convertible bonds *(Note 14)*	**12,166**	5,810
Total borrowing costs	**50,715**	36,646
Net foreign exchange loss	**7,987**	896
Changes in fair value on the derivative components of convertible bonds *(Note 14)*	**26,586**	11,190
	85,288	48,732

No borrowing costs have been capitalised for the year ended 31 December 2016 (2015: RMBNil).

	2016	2015
	RMB'000	*RMB'000*
(b) Staff costs#:		
Salaries, wages and other benefits	**53,822**	72,065
Contributions to defined contribution retirement plans	**3,189**	4,717
Equity-settled share-based payment expenses in respect of share option scheme *(Note 15)*	**11,073**	–
Equity-settled share-based payment expenses in respect of share award scheme	**–**	1,772
	68,084	78,554

The employees of the subsidiaries of the Group established in the PRC (excluding Hong Kong) participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby these subsidiaries are required to contribute to the schemes at rates ranging from 18% to 20% of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (excluding Hong Kong), from the above mentioned retirement schemes at their normal retirement age.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of Hong Kong Dollars ("HK$") 30,000. Contributions to the MPF Scheme vest immediately.

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions.

	2016	2015
	RMB'000	*RMB'000*
(c) Other items:		
Cost of inventories#	**397,139**	329,831
Auditor's remuneration	**2,000**	2,100
Depreciation and amortisation#	**27,196**	29,943
Operating lease charges in respect of properties	**7,728**	6,917

\# Cost of inventories includes RMB18,026,000 for the year ended 31 December 2016 (2015: RMB28,656,000), relating to staff costs, and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 7(b) for each of these types of expenses.

8 INCOME TAX

(a) Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2016	2015
	RMB'000	*RMB'000*
Deferred taxation *(Note 16(a)):*		
Origination and reversal of temporary differences	**(25,512)**	(16,264)

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2016	2015
	RMB'000	*RMB'000*
Loss before taxation	**(265,879)**	(631,217)
Expected tax on loss before taxation, calculated at the rates applicable to profits in the jurisdictions concerned *(Notes (i), (ii) and (iii))*	**(57,779)**	(149,972)
Tax effect of non-deductible expenses	**18,190**	222
Tax effect of (reversal of)/deductible temporary differences not recognised for deferred tax	**(13,019)**	98,851
Tax effect of unused tax losses not recognised	**27,096**	34,635
Income tax	**(25,512)**	(16,264)

Notes:

(i) The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 December 2016 (2015: 16.5%). No provision for Hong Kong Profits Tax has been made, as the Company and the subsidiaries of the Group incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax for the year ended 31 December 2016 (2015: RMBNil).

(ii) The Company and the subsidiaries of the Group incorporated in the Cayman Islands and the British Virgin Islands, respectively, are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

(iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% for the year ended 31 December 2016 (2015: 25%).

(iv) One of the Group's subsidiaries established in the PRC has obtained approval from the relevant tax bureau to be taxed as an enterprise with advanced and new technologies for the calendar years from 2016 to 2018 and therefore enjoyed a preferential PRC Corporate Income Tax rate of 15% for the year ended 31 December 2016 (2015: 15%).

9 LOSS PER SHARE

(a) Basic loss per share

The basic loss per share for the year ended 31 December 2016 is calculated based on the loss attributable to the equity shareholders of the Company of RMB176,604,000 (2015: RMB573,978,000) and the weighted average of 1,533,865,000 ordinary shares (2015: 1,365,447,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2016	2015
	'000	*'000*
Issued ordinary shares at 1 January	**1,532,727**	800,000
Effect of shares issued to new equity shareholders of the Company on 25 March 2015	**–**	471,756
Effect of shares issued on the acquisition of a subsidiary on 25 March 2015	**–**	94,351
Effect of shares purchased and vested under a share award scheme	**–**	(660)
Effect of shares issued *(Note 19(b))*	**1,138**	–
Weighted average number of ordinary shares at 31 December	**1,533,865**	1,365,447

(b) Diluted loss per share

There were no dilutive potential shares outstanding during the year ended 31 December 2016 and 2015. The Group's convertible bonds (see Note 14) and share options granted (see Note 15) could potentially dilute basic earnings/(loss) per share in the future, but were not included in the calculation of diluted loss per share because they are antidilutive during the year ended 31 December 2016.

10 TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**300,540**	305,721
Bills receivables	**25,990**	12,941
	326,530	318,662
Less: allowance for doubtful debts	**(276,533)**	(287,583)
	49,997	31,079
Prepayments, deposits and other receivables:		
– Advances to suppliers	**74,088**	78,658
– Value added tax refundable	**5,293**	5,577
– Proceeds receivable for issuance shares *(Note (i))*	**246,352**	–
– Others	**71,420**	36,654
	397,153	120,889
Less: allowance for doubtful debts	**(131,777)**	(102,478)
	265,376	18,411
	315,373	49,490

Note (i): As described in Note 19(b), all of the proceeds from the issuance of shares on 29 December 2016, net of transaction costs, were received on 6 January 2017.

All of the trade and other receivables, net of allowance for doubtful debts, are expected to be recovered or recognised as expenses within one year.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade and bills receivables (net of allowance for doubtful debts), included in trade and other receivables, based on the invoice date, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**29,314**	15,606
Over 3 months but within 6 months	**19,816**	14,821
Over 6 months	**867**	652
	49,997	31,079

At 31 December 2016, trade and bills receivables of RMB19,920,000 (2015: RMB14,422,000) have been pledged to secure the Group's short-term bank and other loans.

(b) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly.

The movements in the allowance for doubtful debts during the year are as follows:

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**390,061**	288,538
Impairment losses recognised (Note 6)	**18,249**	262,643
Reclassified as assets held-for-sale	**–**	(132,101)
Uncollectible amounts written off	**–**	(29,019)
At 31 December	**408,310**	390,061

At 31 December 2016, trade and other receivables of RMB408,310,000 (2015: RMB390,061,000) were individually determined to be impaired. The individually impaired receivables related to customers and debtors that were in financial difficulties and management assessed that these receivables are irrecoverable. The Group does not hold any collateral over these balances.

(c) Trade and bills receivables that are not impaired

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	2016	2015
	RMB'000	*RMB'000*
Neither past due nor impaired	**25,990**	12,941
Less than 3 months past due	**21,154**	10,805
Over 3 months but within 6 months past due	**1,986**	6,681
Over 6 months past due	**867**	652
	24,007	18,138
	49,997	31,079

Receivables that were neither past due nor impaired relate to bills receivable from the issuing banks for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, management believes that no 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.

11 ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE

(a) The classes of assets and liabilities classified as held-for-sale at the end of the reporting period are as follows:

	2016	2015
	RMB'000	*RMB'000*
Assets		
Property, plant and equipment	**49,572**	120,572
Lease prepayments	**20,826**	103,919
Trade and other receivables	**–**	381,988
Other current assets	**–**	6,619
	70,398	613,098
Less: Inter-company receivables eliminated in the consolidated financial statements	**–**	(372,178)
	70,398	240,920
Liabilities		
Trade and other payables	**–**	520,679
Bank and other loans	**–**	33,400
Other current liabilities	**–**	291
	–	554,370
Less: Inter-company payables eliminated in the consolidated financial statements	**–**	(387,092)
	–	167,278

At 31 December 2016, the disposals of the assets classified as held-for-sale are still in progress, and the directors of the Company expect the disposals to be concluded by the end of 2017.

(b) The movements of assets and liabilities classified as held-for-sale during the year are as follows:

	2016	2015
	RMB'000	*RMB'000*
Assets		
As at 1 January	**613,098**	190,388
Transfer into held-for-sale during the year	**–**	542,699
Net decrease while classified as in held-for-sale	**(7,979)**	(7,948)
Decrease through disposal of assets	**–**	(70,064)
Decrease through disposal of a subsidiary *(Note (i))*	**(534,721)**	(41,977)
As at 31 December	**70,398**	613,098
Liabilities		
As at 1 January	**554,370**	26,135
Transfer into held-for-sale during the year	**–**	554,370
Net increase/(decrease) while classified as in held-for-sale	**323**	(749)
Decrease through disposal of a subsidiary *(Note (i))*	**(554,693)**	(25,386)
As at 31 December	**–**	554,370

Note:

(i) On 20 May 2016, the Group disposed of the entire equity interests in Kaifeng Changfeng Axle Co., Ltd. ("Kaifeng Changfeng") and its subsidiary (together the "Kaifeng Changfeng Group") and certain of the Group's receivables due from the Kaifeng Changfeng Group to a third party. The assets and liabilities of the Kaifeng Changfeng Group were classified as held-for-sale in 2015. The consideration for the disposal of the entire equity interests in the Kaifeng Changfeng Group and the assignment of certain of the Group's receivables due from the Kaifeng Changfeng Group amounted to RMB4,000. The net liabilities of the Kaifeng Changfeng Group disposed of as at 20 May 2016 amounted to RMB19,972,000. Accordingly, the Group recognised a gain on disposal of assets and liabilities classified as held-for-sale of RMB19,976,000 in 2016.

Prior to the disposal of the Kaifeng Changfeng Group, the Group has provided guarantees for bank loans drawn by the Kaifeng Changfeng Group. These guarantees will continue to be valid until two years after the maturities of the bank loans. The aggregate principal amount of the bank loans is RMB30,000,000, where these bank loans had matured on 21 July 2016 and have been overdued since then. Further details of the Group's exposure in respect of these guarantees are set out in Note 17.

12 TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables *(Note (i))*	**23,431**	37,936
Payables for construction and purchase of property, plant and equipment	**2,616**	7,797
Payables for staff related costs	**10,070**	11,217
Payables for acquisitions of equity interests in subsidiaries of the Group	**–**	5,462
Payables for miscellaneous taxes	**4,160**	4,410
Interest payables	**13,996**	4,408
Others	**44,529**	26,355
	75,371	59,649
Financial liabilities measured at amortised cost	**98,802**	97,585
Deposits received in connection with disposals of assets classified as held-for-sale and subsidiaries	**54,226**	51,000
Advances received from customers	**4,818**	1,411
Provision for warranties	**1,665**	928
	159,511	150,924

All of the trade and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of trade payables included in trade and other payables, based on the invoice date, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**2,824**	7,475
3 to 6 months	**651**	6,519
Over 6 months	**19,956**	23,942
	23,431	37,936

Note (i): A subsidiary of the Group engaged in the axle business is being sued by a supplier for payment on the Group's previous purchases of goods. The directors of the Company consider the amount claimed by the supplier has already been recognised by the respective subsidiary under trade and other payables, and accordingly, no additional provision is provided in respect of the claim. Certain asset is pledged as securities for the on-going litigation.

13 SECURED NOTES

On 3 June 2015, the Company issued secured notes (the "Notes") with an aggregate face value of USD20,000,000 (equivalent to approximately RMB122,352,000) to Chance Talent Management Limited ("Chance Talent"), a third party. The Notes bear interest at 13% per annum, payable semi-annually, and will mature on 3 June 2017. The Notes and the convertible bonds issued on 3 June 2015 (see Note 14) are secured by 505,581,818 ordinary shares (the "Pledged Shares") in the Company owned by Century Investment (Holding) Limited ("Century Investment"), an equity shareholder of the Company.

As detailed in Note 20(b), the Notes have been redeemed by the Company on 13 January 2017.

14 CONVERTIBLE BONDS

The Group's convertible bonds are analysed as follows:

	Liability components	**Derivative components**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2015	–	–	–
Convertible bonds issued	54,328	4,950	59,278
Accrued finance charges for the year *(Note 7(a))*	5,810	–	5,810
Interest paid	(4,159)	–	(4,159)
Exchange adjustments	3,449	4,841	8,290
Fair value changes on the derivative components *(Note 7(a))*	–	11,190	11,190
At 31 December 2015 and 1 January 2016	**59,428**	**20,981**	**80,409**
Accrued finance charges for the year *(Note 7(a))*	**12,166**	**–**	**12,166**
Interest paid	**(8,738)**	**–**	**(8,738)**
Exchange adjustments	**4,179**	**1,374**	**5,553**
Fair value changes on the derivative components *(Note 7(a))*	**–**	**26,586**	**26,586**
At 31 December 2016	**67,035**	**48,941**	**115,976**

On 3 June 2015, the Company has issued two secured convertible bonds with face value of USD6,000,000 (equivalent to approximately RMB36,706,000) ("CB1") and USD4,000,000 (equivalent to approximately RMB24,470,000) ("CB2") to Chance Talent. Both convertible bonds bear interest at 13% per annum and will mature on 3 June 2018. CB1, CB2 and the Notes (see Note 13) are secured by 505,581,818 ordinary shares in the Company owned by Century Investment.

Upon issuance of these convertible bonds, Chance Talent can convert CB1 into the Company's ordinary shares at HK$1.06 per share (i.e. the conversion option) and CB2 into the Company's ordinary shares at HK$1.50 per share (i.e. the conversion option) at any time from 3 June 2016 till 3 June 2018. The conversion options are classified as derivative financial instruments and have been included in the balance of the convertible bonds in the consolidated statement of financial position.

The Group's convertible bonds are subject to the fulfilment of covenants as stipulated in the bond instruments. At 31 December 2016, the Group has not fulfilled certain of the financial and operational related covenants, and accordingly, the convertible bonds have become repayable on demand and have been classified as short-term liabilities. On 27 February 2017, the Group and Chance Talent have reached an agreement, where Chance Talent agreed not to demand payment as a consequence of the above matters before the original maturity date of 2 June 2018.

15 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 28 June 2010 whereby the directors of the Company are authorised, at their discretion, to invite any full-time or part-time employees, executives, officers or directors (including independent non-executive directors) of the Group and any advisors, consultants, agents, suppliers, customers, distributors and such other persons who, in the sole opinion of the directors of the Company, will contribute or have contributed to the Group, to take up share options at HK$1 to subscribe for ordinary shares in the Company.

On 3 October 2016, 80,000,000 share options were granted to directors of the Company and employees of the Group under the above share option scheme. All the share options granted will vest after one year from the date of grant and will mature on 2 October 2019. Each share option gives the holder the right to subscribe for one ordinary share in the Company at HK$1.41 and is settled gross in shares.

(a) The term and condition of the share options granted is as follow:

	Number of instruments	Vesting condition	Contractual life of share options
Share options granted to directors:			
– On 3 October 2016	**45,000,000**	**One year from the date of grant**	**3 years**
Share options granted to employees:			
– On 3 October 2016	**35,000,000**	**One year from the date of grant**	**3 years**
Total share options granted	**80,000,000**		

(b) The number and weighted average exercise price of share options are as follows:

	2016	
	Weighted average exercise price *HK$*	Number of share options
Outstanding at the beginning of the year	–	–
Granted during the year	**1.41**	**80,000,000**
Outstanding at the end of the year	**1.41**	**80,000,000**
Exercisable at the end of the year	–	–

The share options outstanding at 31 December 2016 had a weighted average exercise price of HK$1.41 and a weighted average remaining contractual life of 2.8 years.

(c) Fair value of share options and assumptions for share options granted on 3 October 2016

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on Binomial Option Pricing Model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the model.

Fair value of share options and assumptions	**Share options granted on 3 October 2016**
Fair value at measurement date	**HK$0.6527-HK$0.6644**
Share price	**HK$1.41**
Exercise price	**HK$1.41**
Expected volatility (expressed as volatility used in the modelling under the Binomial Option Pricing Model)	**74.946%**
Option life (contractual life used in the modelling under the Binomial Option Pricing Model)	**2.997 years**
Expected dividends	**0.00%**
Risk-free interest rate (based on the yields of Hong Kong dollar swap curve)	**1.010%**

The expected volatility is based on the historical volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted with a service condition. There were no market conditions associated with the share options granted.

16 DEFERRED TAX ASSETS AND LIABILITIES

(a) The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Assets			Liabilities	
	Unrealised profit for inventories	Unused tax loss	Impairment losses on trade and other receivables	Fair value adjustments on property, plant and equipment, lease prepayments and intangible assets and subsequent depreciation and amortisation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	890	–	–	(745)	145
Additions through acquisition of a subsidiary	–	10,099	–	(5,479)	4,620
(Charged)/credited to the consolidated statement of profit or loss and other comprehensive income *(Note 8(a))*	(890)	16,171	–	983	16,264
At 31 December 2015	–	26,270	–	(5,241)	21,029
Credited to the consolidated statement of profit or loss and other comprehensive income *(Note 8(a))*	–	14,234	9,983	1,295	25,512
At 31 December 2016	–	40,504	9,983	(3,946)	46,541

(b) Reconciliation of deferred tax assets and liabilities recognised in the consolidated statement of financial position:

	2016	2015
	RMB'000	*RMB'000*
Deferred tax assets recognised in the consolidated statement of financial position	**50,487**	26,270
Deferred tax liabilities recognised in the consolidated statement of financial position	**(3,946)**	(5,241)
	46,541	21,029

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of unused tax losses and temporary differences of RMB1,058,324,000 at 31 December 2016 (31 December 2015: RMB1,002,017,000), as it is not probable that future taxable profits against which the losses and temporary differences can be utilised will be available in the relevant tax jurisdiction and entity. The unused tax losses at 31 December 2016 will expire on or before 31 December 2021.

17 PROVISIONS

Provisions for financial guarantee contracts issued

	RMB'000
At 1 January 2016	–
Additional provisions made	**30,965**
At 31 December 2016	**30,965**

As mentioned in Note 11, the Group has provided guarantees for bank loans drawn by the Kaifeng Changfeng Group, a previous subsidiary of the Group disposed of on 20 May 2016. The aggregate principal amount of the bank loans is RMB30,000,000 and had matured on 21 July 2016. The Kaifeng Changfeng Group has notified the Group's management that these bank loans have not been repaid as of 31 December 2016. The Group's maximum exposure arising from these guarantees would be RMB30,000,000 plus accrued interest. As of the date of this annual results announcements, the directors of the Company estimate that there is a high probability the Kaifeng Changfeng Group will not be able to repay these bank loans. Accordingly, provisions of RMB30,965,000 in this regard have therefore been recognised in the consolidated financial statements of the Group for the year ended 31 December 2016.

The Group has not recognised any deferred income in respect of the above guarantees as their fair values cannot be reliably measured using observable market data and their transaction prices are RMBNil.

18 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: RMBNil).

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the year

The directors of the Company did not recommend the payment of a dividend for the year ended 31 December 2015 (2014: RMBNil).

19 SHARE CAPITAL

(a) Issued share capital

	2016		2015	
	No. of shares '000	***USD'000***	*No. of shares '000*	*USD'000*
Authorised:				
Ordinary shares of USD0.01 each	**5,000,000**	**50,000**	5,000,000	50,000

	2016		2015	
	No. of shares '000	***RMB'000***	*No. of shares '000*	*RMB'000*
Ordinary shares of USD0.01 each, issued and fully paid:				
At 1 January	**1,532,727**	**98,557**	800,000	53,560
Shares issued to new equity shareholders of the Company	**–**	**–**	610,606	37,498
Shares issued on acquisition of a subsidiary	**–**	**–**	122,121	7,499
Shares issued *(Note 19(b))*	**138,888**	**9,652**	–	–
At 31 December	**1,671,615**	**108,209**	1,532,727	98,557

(b) On 12 December 2016, the Company entered into a placing agreement with a placing agent, pursuant to which the Company agreed to place, through the placing agent, a maximum of 291,218,000 new shares to independent placees at a price of HK$1.98 per share.

On 29 December 2016, one placee, namely Taiping Trustees Limited, subscribed for 138,888,000 shares in the Company. USD1,389,000 (equivalent to approximately RMB9,652,000) of the proceeds was credited to the Company's share capital. The remaining proceeds, net of transaction costs, of USD33,689,000 (equivalent to approximately RMB234,132,000) were credited to the Company's share premium account. All of the proceeds, net of transaction costs, were received on 6 January 2017.

20 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

(a) On 6 January 2017, pursuant to the placing agreement entered into by the Company as described in Note 19(b), another placee, namely Beijing Enterprises Real Estate (HK) Limited, subscribed for 151,515,000 shares in the Company. USD1,515,000 (equivalent to approximately RMB10,404,000) of the proceeds has been credited to the Company's share capital, and the remaining proceeds, net of transaction costs, of USD36,769,000 (equivalent to approximately RMB252,482,000) have been credited to the Company's share premium account. Upon the issuance of these shares, the Company's issued and fully paid ordinary shares have increased from 1,671,615,000 to 1,823,130,000.

(b) On 13 January 2017, the Group has redeemed all of the Notes (see Note 13). On 15 March 2017, 396,238,156 of the Pledged Shares have been released.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is engaged in electronic commerce ("**e-Commerce**") business through cross-border business-to-business ("**B2B**") electronic distribution platforms and mobile applications sourcing, importing and channeling authentic goods from suppliers abroad and then distributing and reselling such goods to domestic retailers and consumers in the People's Republic of China (the "**PRC**"), and other general trading businesses. The Group is also an independent axle component provider for the PRC's medium duty truck ("**MDT**") and heavy duty truck ("**HDT**") aftermarket and also an independent axle assembly provider for the PRC's MDT and HDT original equipment manufacturers ("**OEMs**") market.

Due to the continued deterioration of the business environment of the axle market, the demand for axle assemblies has declined significantly. In addition, as a result of continued unstable political environment in the Commonwealth of Independent States, there has also been great uncertainty relating to the sales of train and railway components. In view of these circumstances, on 2 February 2016, the Group entered into a conditional agreement to sell the entire interest in 開封暢豐車橋有限公司 (Kaifeng Changfeng Axle Co., Ltd.*) ("**Kaifeng Changfeng**") and its subsidiary (together the "**Kaifeng Changfeng Group**"), which were engaged in the business of axle assemblies and railway components, and certain of the Group's receivables due from the Kaifeng Changfeng Group, at a total cash consideration of RMB4,000, details of which are disclosed in the Company's announcement dated 2 February 2016 and the circular dated 30 March 2016. The disposal was completed on 20 May 2016.

The Group has always been seeking investment opportunities with potential growth and an effective platform for e-Commerce and internet finance industry which will enhance our market image and create commercial synergies with our existing e-Commerce business.

In the second half of 2016, the formation of joint ventures (the "**Formation of JVs**"), more specifically described below and in the relevant announcements of the Company referred to below, which involves the investment by the Company, China Mobile (Hong Kong) Group Limited, Bank of China Group Investment Limited, CCB International (Holdings) Limited, and China UnionPay Merchant Services Company Limited (which are leading enterprises in their respective industries) into three joint venture companies which form part of the Group. The objective is to set up a membership point alliance, to establish a "Point-Connect" point reward system and platform, and to realise points from different industries for conversion to alliance points in the platform for operation.

On 22 June 2016, the Company entered into an agreement with Chance Talent Management Limited ("**Chance Talent**"), an indirectly and wholly-owned subsidiary of CCB International (Holdings) Limited, and Treasure Ease Holdings Limited ("**Treasure Ease**"). Pursuant to the agreement, the Company and Chance Talent conditionally agreed to subscribe for shares in Treasure Ease and to cooperate in the development of the business of "Point-Connect" point reward system and platform. The completion of the initial subscription and additional subscription took place on 27 June 2016 and 25 January 2017 respectively pursuant to the terms of the aforesaid agreement and Treasure Ease became a non-wholly owned subsidiary of the Company which is held as to 50.1% by the Company and 49.9% by Chance Talent. For further details of these transactions, please refer to the announcements of the Company dated 22 June 2016, 25 July 2016 and 13 September 2016.

On 30 August 2016, Treasure Ease entered into an agreement with Easylink Payment Network (Hong Kong) Company Limited ("**Easylink**"), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of China UnionPay Merchant Services Company Limited ("**China UnionPay**"). Pursuant to the agreement, Treasure Ease and Easylink have agreed to subscribe for shares in a company to be incorporated in the British Virgin Islands with limited liability, such company has subsequently been incorporated on 1 September 2016 under the name of Pointsea Holdings Company Limited ("**Pointsea Holdings**"), to cooperate in the development of the business including the establishment of a system and platform for online and offline sales of commodity products. The completion of the initial subscription took place on 1 September 2016 pursuant to the terms of the agreement and Pointsea Holdings became a non-wholly owned subsidiary of the Company which is held as to 80% by Treasure Ease and 20% by Easylink. Treasure Ease and Easylink conditionally agreed to further subscribe for additional shares in Pointsea Holding at the subscription price of RMB79,999,920 and RMB19,999,980 respectively, subject to the terms of the agreement. For further details of these transactions, please refer to the announcements of the Company dated 30 August 2016.

On 29 November 2016, Pointsea Holdings entered into an agreement with Extra Step Investments Limited ("**Extra Step**"), a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited and Joy Empire Holdings Limited ("**Joy Empire**"), a wholly-owned subsidiary of Bank of China Group Investment Limited. Pursuant to the agreement, Pointsea Holdings, Extra Step and Joy Empire have conditionally agreed to subscribe for shares in a company to be incorporated in Cayman Islands, such company has subsequently been incorporated on 10 January 2017 under the name of Pointsea Company Limited ("**Pointsea**"). It is contemplated that an investor which will be a famous aviation enterprise, may join as a new party to the agreement. Pointsea is currently a wholly owned subsidiary of Pointsea Holdings. Upon completion of the additional subscription, Pointsea will be held as to 50% by Pointsea Holdings. Please refer to the announcements of the Company dated 29 November 2016 and 7 December 2016 for details.

On 3 October 2016, the Company granted a total of 80 million options to subscribe for a total of 80 million shares of the Company to certain eligible persons under the share option scheme adopted on 28 June 2010. All the options granted were fully accepted by grantees by end of October 2016. Details of which are disclosed in the Company's announcement dated 3 October 2016.

On 16 December 2016, the Company announced that a placing of a maximum of 291,218,000 shares of the Company to placees at the price of HK$1.98 per share (the "Placing"). 138,888,000 shares were placed to Taiping Trustees Limited, a subsidiary of China Taiping Insurance Group Limited, and 151,515,000 shares were placed to Beijing Enterprises Real Estate (HK) Limited, a subsidiary of Beijing Enterprises Group Company Limited, details of which are disclosed in the Company's announcements dated 16 December 2016, 22 December 2016 and 6 January 2017.

e-Commerce business

The Group has started the e-Commerce business since March 2015, initially through the operation of B2B platform. This B2B mode is to set up a direct path between pre-identified overseas suppliers, distributors and domestic retailers in the PRC. The Group has commenced practical businesses with hundreds of brand suppliers in Europe, covering thousands of brand producers, and established strategic cooperation relationships with famous brand groups. The Group has launched a business-to-customer ("B2C") e-Commerce platform since September 2015 in four main themes of product categories, namely affordable luxury, nursery, cosmetics and health. The Company has developed cooperation with well established partners in various regions around the world. Besides, the Group has other trading businesses.

For the year ended 31 December 2016, revenue from e-Commerce business segment amounted to approximately RMB302.1 million (2015: approximately RMB43.2 million). The total revenue from this segment accounted for approximately 78.4% (2015: approximately 25.3%) of the Group's total revenue.

Axle business

The Group sells axle assemblies directly to OEMs in the PRC on a made-to-order basis to match its customers' specification requirements. A small portion of axle components are occasionally sold to other axle assembly providers. The Group is an independent axle component provider for China's MDT and HDT aftermarket with diversified product offerings among independent axle component providers in the PRC.

The axle components are sold to customers in the aftermarket through its extensive sales, marketing and services network across the PRC. For the year ended 31 December 2016, revenue from the OEM market and aftermarket business segment amounted to approximately RMB83.4 million (2015: approximately RMB127.2 million), representing a decrease of approximately 34.4% as compared with 2015, and accounted for approximately 21.6% (2015: approximately 74.7%) of the Group's total revenue.

FINANCIAL REVIEW

Revenue

The Group recorded a consolidated revenue of approximately RMB385.5 million (2015: approximately RMB170.4 million), representing an increase of approximately 126.3% as compared to 2015.

Revenue from the Group's electronic commerce segment was approximately RMB302.1 million for the year ended 31 December 2016 (2015: approximately RMB43.2 million), representing approximately 78.4% (2015: approximately 25.3%) of the Group's total revenue.

Revenue from the Group's axle business segment for the year ended 31 December 2016 was diminishing as a result of the continuing depressed business environment of this sector and the significant price competition among competitors.

Gross loss

Gross loss for the year ended 31 December 2016 amounted to approximately RMB12.7 million, as compared with the gross loss of approximately RMB159.8 million for the year ended 31 December 2015. The gross loss was mainly attributable to the gross loss in the amount of approximately RMB7.2 million and approximately RMB5.5 million generated from axle business and e-Commerce business respectively.

Other income

Other income of the Group for the year ended 31 December 2016 amounted to approximately RMB22.8 million (2015: approximately RMB9.5 million). This was mainly attributable to the disposal of Kaifeng Changfeng Group on 20 May 2016.

Impairment losses

Impairment losses of the Group for the year ended 31 December 2016 amounted to approximately RMB33.4 million (2015: approximately RMB312.3 million), mainly comprising impairment loss of approximately RMB13.7 million (2015: approximately RMB53.7 million) for property, plant and equipment and approximately RMB18.2 million (2015: approximately RMB262.6 million) for trade and other receivables, due to the decline of the Group's axle business.

Selling and distribution expenses

Selling and distribution expenses of the Group for the year ended 31 December 2016 decreased to approximately RMB26.8 million (2015: approximately RMB45.5 million). The decrease was mainly attributable to the disposal of Kaifeng Changfeng Group on 20 May 2016 and the tightened cost control in e-Commerce business.

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2016 decreased to approximately RMB76.3 million (2015: approximately RMB86.4 million). The decrease was mainly attributable to the disposal of Fujian Changfeng Axle Manufacturing Co. Ltd and Kaifeng Changfeng Group in November 2015 and May 2016, respectively.

Finance costs

The Group incurred finance costs of approximately RMB85.3 million for the year ended 31 December 2016, which represented approximately 22.1% (2015: approximately 28.6%) of its revenue. The decrease in percentage to revenue in 2016 was mainly due to the net effect of increase in revenue from approximately RMB170.4 million in 2015 to approximately RMB385.5 million in 2016, increase in finance charges on the secured notes and convertible bonds amounting to approximately RMB17.4 million and increase in changes in fair value on the derivative components of convertible bonds amounting to approximately RMB15.4 million in 2016.

Loss for financial guarantee contracts issued

Loss for financial guarantee contracts issued of approximately RMB31.0 million was made for the year ended 31 December 2016 (2015: RMB Nil) which represent the maximum exposure as of 31 December 2016 arising from the guarantees for bank loans drawn by a previous subsidiary of the Group disposed of on 20 May 2016.

Taxation

Income tax credit of approximately RMB25.5 million was recorded for the year ended 31 December 2016 (2015: approximately RMB16.3 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, cash and cash equivalents of the Group was approximately RMB90.0 million (31 December 2015: approximately RMB195.6 million). As compared to 2015, cash and cash equivalents decreased by approximately RMB105.6 million, mainly due to net cash outflow from operating activities of approximately RMB71.3 million (2015: approximately RMB45.1 million), net cash outflow from investing activities of approximately RMB27.2 million (2015: net cash inflow of approximately RMB57.4 million) and net cash outflow from financing activities of approximately RMB13.6 million (2015: net cash inflow of approximately RMB175.4 million).

On 16 December 2016, the Company made an announcement in relation to the Placing. 138,888,000 shares of the Company were placed to Taiping Trustees Limited, a subsidiary of China Taiping Insurance Group Limited, and 151,515,000 shares of the Company were placed to Beijing Enterprises Real Estate (HK) Limited, a subsidiary of Beijing Enterprises Group Company Limited. The proceeds of the Placing, net of transaction costs were received on 6 January 2017.

As at 31 December 2016, net current liabilities of the Group amounted to approximately RMB137.8 million (31 December 2015: net current asset approximately RMB59.6 million). As at 31 December 2016, the current ratio (i.e. total current assets/total current liabilities) of the Group was approximately 0.79 (31 December 2015: approximately 1.12).

As at 31 December 2016, total assets of the Group were approximately RMB733.8 million (31 December 2015: approximately RMB776.1 million) and total liabilities were approximately RMB647.2 million (31 December 2015: approximately RMB704.0 million). The debt ratio as at 31 December 2016 (i.e. total liabilities/total assets) was 0.88 as compared to 0.91 as at 31 December 2015.

As at 31 December 2016, the Group had total borrowings (including bank and other loans, secured notes and convertible bonds) of approximately RMB452.8 million (31 December 2015: approximately RMB380.6 million). The gearing ratio (i.e. total borrowing/total equity) was approximately 5.23 (31 December 2015: approximately 5.28).

Trade and other receivables

Trade and other receivables of the Group as at 31 December 2016 were approximately RMB315.4 million (31 December 2015: approximately RMB49.5 million). The increase in the balance was mainly due to the proceeds receivable from the placement of new shares during the year.

Inventories

The inventory balance of the Group as at 31 December 2016 was approximately RMB29.3 million (31 December 2015: approximately RMB63.6 million). The stock turnover increased from 2.62 times per year in 2015 to 8.58 times per year in 2016 as the e-Commerce business require minimal level inventory.

Trade and other payables

Trade and other payables of the Group as at 31 December 2016 were approximately RMB159.5 million (31 December 2015: approximately RMB150.9 million). The increase was mainly due to increase in interest payable as at 31 December 2016.

Pledged assets

As at 31 December 2016, the Group has pledged assets of approximately RMB107.1 million (31 December 2015: approximately RMB52.4 million). The following assets and their respective carrying values as at the end of the reporting period are pledged to secure the Group's bank and other loans.

	2016	2015
	RMB'000	*RMB'000*
Property, plant and equipment	**75,316**	26,233
Lease prepayments	**11,484**	11,761
Trade and other receivables	**19,920**	14,422
Pledged bank deposits	**428**	–
	107,148	52,416

Contingent liabilities

As at 31 December 2016, the Group had no significant contingent liabilities (31 December 2015: RMB Nil).

Capital commitment

As at 31 December 2016, the Group committed to inject RMB100 million in respect of investment in a company to be incorporated under the Formation of JVs. Save as disclosed above, the Group had no other contracted capital commitments which were not provided in the financial statements (31 December 2015: RMB Nil).

Employees and remuneration policy

As at 31 December 2016, the Group had 410 employees (31 December 2015: 652 employees). For the year ended 31 December 2016, total staff costs were approximately RMB68.1 million (2015: approximately RMB78.6 million).

During the year, the Group also provided internal training, external training and correspondence courses for its staff in order to promote self improvement and enhancement of skills relevant to work. The remuneration of the Directors was determined with reference to their position, responsibilities and experience and prevailing market conditions.

Foreign exchange risk

The business of the Group is mainly located in the PRC and most of the transactions are denominated in Renminbi. Most of the assets and liabilities of the Group are computed in Renminbi. As at 31 December 2016, the Group's net foreign currency assets amounted to approximately RMB58.5 million (31 December 2015: net foreign currency liabilities of approximately RMB26.8 million). During the year ended 31 December 2016, the Group did not utilize any future contracts, currency borrowings and otherwise to hedge against its foreign exchange risk. However, the Group will continue to monitor the risk exposures and will consider to hedge against material currency risk if required.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this annual results announcement, there were no other significant investments held nor material acquisitions or disposals of subsidiaries during the year. Save as disclosed in this annual results announcement, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this annual results announcement.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

On 3 June 2015, the Company issued secured notes (the "**Notes**") with an aggregate face value of USD20,000,000 (equivalent to approximately RMB122,352,000) to Chance Talent. The Notes bear interest at 13% per annum, payable semiannually. Subsequently, the Company redeemed the Notes on 13 January 2017. On 3 June 2015, the Company issued two secured convertible bonds with face value of USD6,000,000 (equivalent to approximately RMB36,706,000) ("**CB1**") and USD4,000,000 (equivalent to approximately RMB24,470,000) ("**CB2**") to Chance Talent. Both convertible bonds bear interest at 13% per annum and will mature on 3 June 2018. As at the date of this annual results announcement, Century Investment pledged its 109,343,662 ordinary shares in the Company (the "**Charged Shares**") to secure the obligations of the Company under the CB1 and CB2. The Charged Shares represent approximately 6.00% of the issued share capital of the Company. For further details of this transaction, please refer to the announcements of the Company dated 6 May 2015 and 3 June 2015.

DIVIDEND

The Board does not recommend payment of any final dividend for the year ended 31 December 2016 (2015: RMB Nil).

PROSPECTS

"Point-Connect" point reward business

This is a milestone for the Company to start-up the "Point-Connect" point reward business with various State-owned Enterprises in the last few months. A WOFE in the PRC will be established to start up the business and target to start its operation in the second half of 2017.

The corporate structure of this business segment upon completion will be:

The Group will set up a membership point alliance with business partners and to realise points from different industries for conversion to alliance points in the platform for operation. Based on the current plan, users can exchange their original points to alliance points, redeem points for customized merchandise for aggregation in the form of online and offline consumption, so as to strengthen the adhesiveness and loyalty of the users and to promote the market competitiveness of the alliance enterprises. The Board is of the view that this will bring the Group further strategic business opportunity and an effective platform for the e-Commerce and internet finance industry. The Group will place more focus on the development of the "Point-Connect" point reward business which is expected to generate a higher return and in alliance with the current e-Commerce business.

e-Commerce business

At present, there are a lot of business opportunities available to our e-Commerce business, which is experiencing rapid growth in the PRC. Looking forward, the Group will commit time and resources to continuously develop its e-Commerce business. With the announcement of the "Point-Connect" point reward system and platform business, the Group expects that the platform for membership point alliance may create commercial synergies with our e-Commerce business.

In order to leverage the resources committed for the e-Commerce and internet finance, the Group will continue to explore other related business opportunities, including provision of services to fit its customers' needs in their online business.

Axle business

Due to the continued depression and uncertainty in the MDT and HDT industries of the axle business, which brought about under-utilization of production capacity of the Group's business in the axle and component of motor vehicles, and together with the keen price competition among competitors in the motor vehicles repair market, the income from this segment will remain low and continue to suffer losses. The Board will continue to review the axle business carried out in Longyan. The Company will continue to explore business opportunities to minimize the losses from the axle business and to review various alternatives that are in the best interest of the Company and the shareholders of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Company's shareholders. The Board strives to adhere to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for shareholders.

During the year ended 31 December 2016, the Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") save for the deviation as set forth below:

Code Provision A.6.7

Code Provision A.6.7 of the CG Code provides that independent non-executive directors and non-executive directors should attend general meetings of the Company. Mr. Liu Erhfei and Mrs. Guo Yan were not able to attend the annual general meeting of the Company held on 20 May 2016. Mr. Feng Xioahui, Mrs. Guo Yan, Mr. Wong Chi Keung, Mr. Liu Erhfei were not able to attend the extraordinary general meeting on 22 April 2016.

Compliance

The Company has appointed a compliance adviser on an ongoing basis for a two-year period until 6 August 2016 as per the direction of the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Board of the Company confirmed that all the directions from the Listing Committee of the Stock Exchange have been complied with. Details of which are set out in the announcement of the Stock Exchange dated 9 July 2014.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Monday, 29 May 2017. A notice convening the annual general meeting will be published and despatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 24 May 2017 to Monday, 29 May 2017, both days inclusive, during which period no transfer of shares will be registered. In order to determine who are entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Monday, 29 May 2017, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 23 May 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Save for the Placing of shares of the Company neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed shares of the Company during the year ended 31 December 2016.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. Specific enquiries have been made with all Directors, who have confirmed that, during the year ended 31 December 2016, they were in compliance with the required provisions set out in the Model Code.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the consolidated financial statements of the Group for the year ended 31 December 2016, including the accounting principles and practices adopted by the Group, and selection and appointment of the external auditors, and review the effectiveness of the systems of risk management and internal control of the Group.

PUBLICATION OF RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Company at www.fortunetecomm.com. The annual report of the Company for the year ended 31 December 2016 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and posted on the above websites in due course.

By order of the Board
Fortunet e-Commerce Group Limited
Mr. Cheng Jerome
Chairman

Hong Kong, 22 March 2017

As at the date of this announcement, the executive Directors are Mr. Cheng Jerome and Mr. Yuan Weitao; the non-executive Director is Mrs. Guo Yan; and the independent non-executive Directors are Mr. Wong Chi Keung, Mr. Liu Erhfei and Mr. Chan Chi Keung Alan.