# Fortune Sun (China) Holdings Limited
# 富陽（中國）控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*
(Stock Code: 00352)

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the "Board") of directors (the "Directors") of Fortune Sun (China) Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016 together with the comparative figures for 2015 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS
*FOR THE YEAR ENDED 31 DECEMBER 2016*

| | Note | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **Revenue** | 4 | **23,014** | 18,328 |
| Business tax and other levies | | **(155)** | (473) |
| Cost of services rendered | | **(20,605)** | (15,941) |
| **Gross profit** | | **2,254** | 1,914 |
| Investment income and other gains and losses | 5 | **5,369** | 913 |
| Operating and administrative expenses | | **(13,076)** | (11,500) |
| **Loss from operations** | | **(5,453)** | (8,673) |
| Finance cost – loan interest | | **–** | (498) |
| **Loss before tax** | | **(5,453)** | (9,171) |
| Income tax credit | 7 | **–** | 4,247 |
| **Loss for the year attributable to owners of the Company** | 8 | **(5,453)** | (4,924) |
| | | **RMB cents** | RMB cents |
| **Loss per share** | 10 | | |
| Basic | | **(2.23)** | (2.30) |
| Diluted | | **N/A** | N/A |

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

*FOR THE YEAR ENDED 31 DECEMBER 2016*

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Loss for the year** | **(5,453)** | (4,924) |
| **Other comprehensive income:** | | |
| *Items that may be reclassified to profit or loss:* | | |
| Exchange differences on translating foreign operations | **134** | 583 |
| **Other comprehensive income for the year, net of tax** | **134** | 583 |
| **Total comprehensive income for the year attributable to owners of the Company** | **(5,319)** | (4,341) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 31 DECEMBER 2016*

| | Note | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **835** | 1,297 |
| Investment properties | | **3,428** | 3,522 |
| Golf club membership | | **291** | 291 |
| Available-for-sale financial assets | *11* | **1,500** | 1,500 |
| | | **6,054** | 6,610 |
| **Current assets** | | | |
| Trade receivables | *12* | **21,174** | 12,771 |
| Trade deposits | *13* | **600** | 4,627 |
| Prepayments and other deposits | | **952** | 492 |
| Other receivables | | **472** | 12,129 |
| Bank and cash balances | | **51,442** | 42,871 |
| | | **74,640** | 72,890 |
| **Current liabilities** | | | |
| Accruals and other payables | | **13,093** | 6,580 |
| **Net current assets** | | **61,547** | 66,310 |
| **NET ASSETS** | | **67,601** | 72,920 |
| **Capital and reserves** | | | |
| Share capital | | **24,276** | 24,276 |
| Reserves | | **43,325** | 48,644 |
| **TOTAL EQUITY** | | **67,601** | 72,920 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
*FOR THE YEAR ENDED 31 DECEMBER 2016*

## 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 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 Group is principally engaged in providing property consultancy and sales agency services for the primary property market mainly in the People's Republic of China (the "PRC").

## 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") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards and Interpretations. These consolidated financial statements have been prepared under the historical cost convention.

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

### (a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2016. Of these, the following new or revised HKFRSs are relevant to the Group:

***Amendments to HKAS 27: Equity Method in Separate Financial Statements***

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying HKFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively.

***Amendment HKAS 34 Interim Financial Reporting (Annual Improvements to HKFRSs 2012–2014 Cycle)***

The amendment clarifies that the disclosure of information elsewhere in the interim financial report includes the disclosure by cross-reference to information in another statement. This information should be available to users of the interim financial statements on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

***Amendments to HKAS 1 Presentation of Financial Statements: Disclosure Initiative***

The amendments to HKAS 1 clarify, rather than significantly change, existing HKAS 1 requirements. The amendments clarify various presentation issues relating to:

- Assessment of materiality versus minimum disclosure requirements of a standard.
- Disaggregation of specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position. There is also new guidance on the use of subtotals.
- Confirmation that the notes do not need to be presented in a particular order.
- Presentation of other comprehensive income items arising from equity-accounted associates and joint ventures.

***Amendments to HKAS 16 and HKAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments introduce a rebuttable presumption to HKAS 38 that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments also prohibit the use of revenue based depreciation methods for property, plant and equipment under HKAS 16.

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.

**(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 1 January 2016. These new and revised HKFRSs include the following which may be relevant to the Group.

| | **Effective for accounting periods beginning on or after** |
|---|---|
| Amendments to HKAS 7 Statement of Cash Flows: Disclosure initiative | 1 January 2017 |
| Amendments to HKAS 12 Income Taxes: Recognition of deferred tax assets for unrealised losses | 1 January 2017 |
| HKFRS 9 Financial Instruments | 1 January 2018 |
| HKFRS 15 Revenue from Contracts with Customers | 1 January 2018 |
| Amendments to HKFRS 2 Share-based Payment: Classification and measurement of share-based payment transactions | 1 January 2018 |

| | Effective for accounting periods beginning on or after |
|---|---|
| Amendments to HKFRS 4 Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts | 1 Janaury 2018 |
| HKFRS 16 Leases | 1 January 2019 |
| Amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint venture | To be determined |

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course.

***HKFRS 9 Financial Instruments***

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in HKAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in HKAS 39 are carried forward largely unchanged.

HKFRS 9 substantially overhauls the hedge accounting requirements in HKAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The Group's financial assets that are currently classified as available-for-sale include an unlisted equity security. The Group expects to irrevocably designate this equity security as fair value through other comprehensive income. This will give rise to a change in accounting policy. The unlisted equity security is currently measured at cost less impairment with any impairment losses recognised in profit or loss. HKFRS 9 requires fair value measurement with fair value changes recognised in other comprehensive income without recycling.

The new expected credit loss impairment model in HKFRS 9 may result in the earlier recognition of impairment losses on the Group's trade receivables and other financial assets. The Group is unable to quantity the impact until a more detailed assessment is completed.

***HKFRS 15 Revenue from Contracts with Customers***

HKFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer

2. Identify the performance obligations in the contract

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations in the contract

5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

The directors anticipate that the application of HKFRS 15 in the future will not have a significant impact on the amounts reported and disclosures made in the Group's consolidated financial statements.

***HKFRS 16 Leases***

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to RMB2,257,000 as at 31 December 2016. The Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in HKFRS 16 and the effects of discounting.

## 4. REVENUE

An analysis of the Group's revenue for the year is as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Comprehensive property consultancy and sales agency service projects | **21,391** | 17,403 |
| Pure property planning and consultancy service projects | **1,623** | 925 |
| | **23,014** | 18,328 |

## 5. INVESTMENT INCOME AND OTHER GAINS AND LOSSES

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest income on bank deposits | **641** | 448 |
| Loss on disposals and written off of property, plant and equipment | **(110)** | – |
| Net exchange gain | **1,651** | 12 |
| Reversal of allowance/(allowance) for trade receivables | **898** | (489) |
| (Allowance)/reversal of allowance for trade deposits | **(247)** | 832 |
| Sundry income | **–** | 110 |
| Dividend income from an equity investment | **2,536** | – |
| | **5,369** | 913 |

## 6. 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**

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Customer a | **N/A**[(i)] | 6,734 |
| Customer b | **7,262** | 4,342 |
| Customer c | **–** | 1,934 |
| Customer d | **8,414** | N/A[(i)] |
| Customer e | **2,881** | N/A[(i)] |

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

## 7. INCOME TAX CREDIT

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

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Deferred tax and income tax credit | **–** | (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:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Loss before tax | **(5,453)** | (9,171) |
| Tax at the domestic income tax rate of 25% (2015: 25%) | **(1,363)** | (2,293) |
| Tax effect of income that is not taxable | **(858)** | (208) |
| Tax effect of expenses that are not deductible | **937** | 840 |
| Tax effect of tax losses not recognised | **2,210** | 37 |
| Tax effect of utilisation of tax losses not previously recognised | **–** | (417) |
| Tax losses recognised | **(926)** | (2,206) |
| Income tax credit | **–** | (4,247) |

## 8. LOSS FOR THE YEAR

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

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Auditor's remuneration | **514** | 463 |
| Depreciation of property, plant and equipment | **403** | 384 |
| Depreciation of investment properties | **94** | 94 |
| Loss on disposals and written off of property, plant and equipment | **110** | – |
| Net exchange gain | **(1,651)** | (12) |
| Operating lease charges on land and buildings | **2,214** | 2,021 |
| (Reversal of allowance)/allowance for | | |
| – Trade receivables (*) | **(898)** | 489 |
| – Trade deposits | **247** | (832) |

(*) 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 receivables of approximately RMB898,000 (2015: nil) was reversed.

## 9. DIVIDEND

On 24 March 2017, the Directors resolved not to recommend the payment of a final dividend for the year ended 31 December 2016 to the shareholders of the Company (2015: RMB Nil).

## 10. 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 RMB5,453,000 (2015: RMB4,924,000) and the weighted average number of ordinary shares of 244,733,390 (2015: 213,829,426) in issue during the year.

### (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 2016 and 2015.

## 11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *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., 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.

## 12. TRADE RECEIVABLES

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **21,620** | 15,227 |
| *Less:* Allowance for trade receivables | **(446)** | (2,456) |
| | **21,174** | 12,771 |

The average credit period granted to trade customers is 90 days. The Group seeks to maintain strict control over 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:

| | 2016 | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0 to 90 days | **11,136** | 4,092 |
| 91 to 180 days | **1,944** | 1,404 |
| 181 to 365 days | **–** | 1,699 |
| 1 to 2 years | **2,700** | 2,734 |
| Over 2 years | **5,394** | 2,842 |
| | **21,174** | 12,771 |

Reconciliation of allowance for trade receivables:

| | 2016 | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At 1 January | **2,456** | 1,967 |
| (Reversal of allowance)/allowance for the year | **(898)** | 489 |
| Written off of allowance | **(1,112)** | – |
| At 31 December | **446** | 2,456 |

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 2016 and 2015 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 2016, trade receivables of approximately RMB10,038,000 (2015: RMB8,679,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

| | 2016 | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Up to 3 months | **1,944** | 1,404 |
| 4 to 9 months | **–** | 1,699 |
| 10 to 21 months | **2,700** | 2,734 |
| More than 21 months | **5,394** | 2,842 |
| | **10,038** | 8,679 |

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 been no significant change in credit quality and the balances are still considered fully recoverable.

## 13. TRADE DEPOSITS

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade deposits | **1,605** | 5,385 |
| Less: Allowance for trade deposits | **(1,005)** | (758) |
| | **600** | 4,627 |

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:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Over 1 year and up to 2 years | **–** | 40 |
| Over 2 years and up to 3 years | **28** | 155 |
| Over 3 years | **572** | 4,432 |
| | **600** | 4,627 |

Reconciliation of allowance for trade deposits:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At 1 January | **758** | 1,590 |
| Allowance/(reversal of allowance) for the year | **247** | (832) |
| At 31 December | **1,005** | 758 |

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 2016 and 2015 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 2016, trade deposits of approximately RMB600,000 (2015: RMB1,284,000) were past due but not impaired. The ageing analysis of these trade deposits is as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Over 1 year or above | **600** | 1,284 |

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 been no significant change in credit quality and the balances are considered fully recoverable.

## MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET AND BUSINESS REVIEW

By the end of 2016, the overall operating environment of the property sector was relatively stable as compared to the preceding year, primarily due to the prosperous property market in the PRC. The growth rate in price was higher in year 2015 for first-tier cities. In the second and third-tier cities, there were rebounds in property price in year 2016 and recorded significant growth rate in some cities. Since the second half of the year under review, some inhibitive policies were implemented in the first and second-tier cities which resulted in market divergence nationwide. After the promulgation of the adjustment policies, the price grew but at a slower pace than the last three quarters in the first-tier cities among different tiers of cities. In the second-tier representative cities, the increase in property price continued to widen for the first three quarters, and the increase in property price of around two-thirds of second-tier representative cities narrowed after the promulgation of the adjustment policies. The change in the property price of the third-tier cities was relatively stable in the year of 2016. The market situation in light of the tightened policies of the PRC government in the first and second-tier cities indicated that the competition within the property agency business had intensified, and hence resulting in extremely harsh operating conditions despite the inflow of population and destocking in the third and fourth-tier cities in the PRC.

During the year, the Company paid attention to both the development of domestic market and expansion of overseas market, especially the countries in the "One Belt One Road" regions, where the property markets were at their early stage of development and are expected to enter into the stage of rapid expansion. The Group had examined the conditions in many countries in the Southeast Asia and Euramerican countries and preliminarily secured some sales agency service projects through macro-economic research, project surveys, performing future market and economic forecasts and investment project estimate, and established domestic distribution channels to embellish and advertise the projects and set up domestic sales office to link the capital of the domestic investor groups and the emerging property market in Southeast Asia. The Group had also performed data analysis on domestic high net worth individuals and maintained customers relationship with them.

Regarding the Group's operations during the year under review on a geographical sense, most of the Group's recorded revenue was generated from projects in Jiangsu Province, followed by Shanghai and Zhejiang Province, which represented approximately 80.63%, 9.54% and 6.91% of the Group's total revenue respectively. On a comparative basis, in 2015, the Group's recorded revenue was mainly generated from projects in Hubei Province, followed by Jiangsu Province and Shanghai. Regarding business and products segments, during the year under review, the revenue generated from the comprehensive property consultancy and sales agency service business increased and remained a major source of income for the Group and accounted for approximately 92.95% of the total revenue (2015: approximately 94.95%), while the revenue generated from the pure property planning and consultancy accounted for approximately 7.05% of the total revenue (2015: approximately 5.05%).

In 2016, the Group recorded revenue of approximately RMB23,014,000, representing an increase of approximately 25.57% as compared to the revenue in the corresponding period of last year and gross profit increased from approximately RMB1,914,000 in last year to approximately RMB2,254,000 in the current year. As the result of increase in overall cost of services of approximately 29.26% mainly due to increase in major cost of services such as consultation fees and marketing expenses, the gross profit margin also slightly dropped to approximately 9.80% during the year under review from approximately 10.44% in last year. The overall operating and administrative expenses also increased by approximately 13.7% as compared to last year. Besides, there was a dividend income amounted to approximately RMB2,536,000. Thus, the loss for the period attributable to owners of the Company increased to RMB5,453,000 from the loss of RMB4,924,000 for the corresponding period of last year.

## COMPREHENSIVE PROPERTY CONSULTANCY AND SALES AGENCY BUSINESS

During the year under review, the provision of comprehensive property consultancy and sales agency services for the primary property market in the PRC was the core business of the Group. In 2016, most of the revenue of the Group was generated from 9 comprehensive property consultancy and sales agency service projects (2015: 17 projects) with approximately 122,902 square meters (2015: approximately 112,000 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 2016 was approximately RMB21,391,000, representing approximately 92.95% of the total revenue of the Group (2015: approximately RMB17,403,000, representing approximately 94.95% of the total revenue).

As at 31 December 2016, the Group had 11 comprehensive property consultancy and sales agency service projects on hand with total unsold gross floor areas of approximately 289,000 square meters (2015: approximately 388,000 square meters). Among these 11 projects, sales of the underlying properties of 2 projects have not yet commenced as at 31 December 2016.

## PURE PROPERTY PLANNING AND CONSULTANCY BUSINESS

During the year ended 31 December 2016, the Group implemented in total 4 pure property planning and consultancy service projects (2015: 8 projects). As a result of the stabilized property market in the PRC, the reported revenue generated from this business segment for the year increased by approximately 75.46% to approximately RMB1,623,000, representing 7.05% of the total revenue for the year of 2016 (2015: approximately RMB925,000, representing 5.05% of the total revenue).

## PROSPECTS AND OUTLOOK

It is expected that the economic situation in the PRC will remain stable in 2017. The supply-side structural reform had made some progress since 2016. The effect of capacity reduction has resulted in an increase in the price of industrial products, and the growth in the overall corporate profits has turned around and been gradually increasing month by month. Also, a stable economic situation is crucial to the development of the property market. Economic growth helps to create job within the market and improve income level through increased corporate profits, which will also be beneficial to the property market. It is expected that the market performance will continue to diverge in 2017. In 2017, the more popular first and second-tier cities such as Beijing, Shanghai and Hangzhou etc. will continue to be affected by the demand restraining and price adjustment policies. The supply structure will also be shifted to mostly self-occupied housing, and there will be potential structural adjustment. Inventory pressure still exists in the third and fourth-tier cities in the PRC with limited tendency to raise in price.

As the Southeast Asian countries are on the "One Belt One Road" economic belt, due to the immigration of some manufacturers and strong supportive state policies, property market targeting foreign investors began to emerge and the domestic investors are now more willing to invest in overseas properties. It is expected that the property price in Southeast Asia will rise in 2017. Given the current economic and industrial situation, internationalization has become the consensus of developers, and it is anticipated that transnational properties in Southeast Asia will be the main focus of the Group in 2017. The Group will seize the opportunities that might arise and develop the local property market through various methods including cooperation, agency or distribution and securing quality projects for capital security and high investment returns, in order to gain access to different countries. It is also expected that the Group would conduct data analysis on a large scale with information technologies to achieve online to offline linkage, in order to better perform the agency work.

Domestically, our existing operating regions of Shanghai, Jiangsu, Anhui, Hubei and Zhejiang are cities and provinces on the Changjiang economic belt with the merits of vibrant economies, comprehensive industrial structure, high added-value business, strong ability to attract population and concentration of wealthy individuals, and as such have remained the regions of attention for the Company's operations. The Company combines the offline and online resources in such regions and utilizes information technology to provide international strategic planning featuring both online and offline, home and abroad. Given the rapid development of the Chinese economy, the process of urbanization persists with some upward potentials in the domestic property market. However, the transaction volume is suppressed in most of the first-tier cities in the PRC as a result of the policies of restrictions on property purchases which are expected to continue in the next few years. The Company would remain attentive to the domestic property market, especially situations within the second and third-tier cities of north of Jiangsu and Anhui which have high potential for development.

Outside the PRC, the Group chose Cambodia as its first pilot market for overseas property operations by providing agency services on potential projects in Phnom Penh, the capital city of Cambodia, during which we embellished the projects, achieved online to offline linkage, developed and locked up customers with the channels we had access to, as well as facilitating transactions utilizing large scale data analysis. We would also set up shops or offices in Cambodia to provide better after-sales services for clients' convenience. In addition, we will expand our presence of business in Cambodia by taking reference of business models of market players in Southeast Asian countries such as Vietnam and Malaysia, in order to broaden the diversity of sales agency services so as to attract clients by providing them with diversified products of higher and stable rate of returns than those provided locally and with additional features such as effective linkage of online and offline and comprehensive after-sale services. Last but not least, we also plan to expand our businesses to countries in Europe and the United States by leveraging our experience on the property operations in Southeast Asia to satisfy the investment intention of high-end customer groups and complete the entire global strategic layout of the Group.

In 2017, the Group will continue to focus on the comprehensive property consultancy and sales agency service as its main businesses and will remain cautious in relation to market volatility and changes. The Group will endeavor to continue its cooperation with property developers and new potential business partners targeting at commodity housing, and focus on the development opportunities in the first and second-tier cities in the PRC. The Group will also strive to secure more property consultancy and sales agency service projects.

The year 2017 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 2016, the Group's source of funds was mainly cash generated from investing activities.

As at 31 December 2016, the Group had net current assets of approximately RMB61,547,000 (2015: approximately RMB66,310,000), total assets of approximately RMB80,694,000 (2015: approximately RMB79,500,000) and shareholders' funds of approximately RMB67,601,000 (2015: approximately RMB72,920,000).

As at 31 December 2016, the bank and cash balances of the Group amounted to approximately RMB51,442,000 (2015: approximately RMB42,871,000).

## BANK BORROWINGS AND OVERDRAFTS

The Group had no bank borrowings or overdrafts as at 31 December 2016 (2015: RMB Nil).

## INDEBTEDNESS AND CHARGE ON ASSETS

The Group did not have any short term borrowing (2015: RMB Nil) nor long term borrowing (2015: RMB Nil) as at 31 December 2016.

As at 31 December 2016, 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% (2015: 0%).

## 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 Group's exposure to interest rate risk mainly stemmed from fluctuations of interest rates for the Group's bank balances, as the Group had no bank borrowings as at 31 December 2016.

## STAFF AND THE GROUP'S EMOLUMENT POLICY

As at 31 December 2016, the Group had a total of 135 staff (2015: 126 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 2016, 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）("Hengda Jiangsu") as set out in note 19 to the consolidated financial statements and the investment properties held by the Group, no other significant investment was held by the Group. As at the date of this announcement, save for the continuing investment in Hengda Jiangsu 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 2016 (2015: Nil).

## CAPITAL COMMITMENTS

The Group had no material capital commitments as at 31 December 2016 (2015: Nil).

## PURCHASE, SALES 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 2016.

## CORPORATE GOVERNANCE PRACTICES

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

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 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 2016.

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

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

## MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. 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 2016.

## REVIEW BY AUDIT COMMITTEE

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

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

During the year ended 31 December 2016, the Audit Committee met with the external auditor to review and approve the audit plans and also reviewed the Group's annual results of 2015 and interim results of 2016 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 2016. The Audit Committee convened four meetings during the year ended 31 December 2016.

## PUBLICATION OF THE RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website (www.fortune-sun.com) and the Stock Exchange's website (www.hkexnews.hk). The 2016 Annual Report will be dispatched to the shareholders of the Company and will be made available on the website of the Company and the Stock Exchange in due course.

## 2017 ANNUAL GENERAL MEETING

It is proposed that the 2017 Annual General Meeting (the "2017 AGM") will be held on Friday, 16 June 2017. A notice convening the 2017 AGM will be published on the Company's website (www.fortune-sun.com) and the Stock Exchange's website (www.hkexnews.hk) and will be dispatched to the shareholders of the Company accordingly.

## 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, 16 June 2017 (the "2017 AGM"), the register of members of the Company will be closed from Tuesday, 13 June 2017 to Friday, 16 June 2017 (both days inclusive) during which period no transfer of shares will be registered.

In order to qualify for attending and voting at the 2017 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 Monday, 12 June 2017.

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

Hong Kong, 24 March 2017

*As at the date of this announcement, the executive Directors are Mr. Chiang Chen Feng, Ms. Chang Hsiu Hua and Mr. Han Lin; the non-executive Director is Ms. Lin Chien Ju; and the independent non-executive Directors are Dr. Cheng Chi Pang, Mr. Cui Shi Wei and Mr. Ng Wai Hung.*