Fortune Sun

Fortune Sun (China) Holdings Limited

富陽(中國)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 352

Annual Report 2016

Contents

Corporate Information

BOARD OF DIRECTORS

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

Non-executive Director
Ms. Lin Chien Ju

Independent Non-executive Directors
Dr. Cheng Chi Pang
Mr. Cui Shi Wei
Mr. Ng Wai Hung

EXECUTIVE COMMITTEE

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

P.O. Box 10008
Willow House
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited
P.O. Box 10008
Willow House
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY SECRETARY

Mr. Lee Kwai San

COMPLIANCE OFFICER

Ms. Chang Hsiu Hua

AUTHORISED REPRESENTATIVES

Ms. Chang Hsiu Hua
Mr. Lee Kwai San

AUDITOR

RSM Hong Kong
Certified Public Accountants

HONG KONG LEGAL ADVISERS

Chiu & Partners

PRINCIPAL BANKERS

PRC

China Minsheng Banking Corporation Limited

Hong Kong

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

STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

00352

COMPANY WEBSITE

www.fortune-sun.com

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors") of Fortune Sun (China) Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016.

2016 was a mixed year for the real estate industry in the PRC. According to the statistics from the National Bureau of Statistics of the PRC, in 2016, the total sales area of commodity housing amounted to 1,573.49 million square meters, representing a year-on-year increase of 22.5%; the sales of commodity housing amounted to RMB11,762.7 billion, representing a year-on-year increase of 34.8%.

In terms of the policies of the PRC government during the year under review, it is evident that the attitude of the government towards the property market had shifted from a more relaxed to tightened policies in popular cities in the PRC in 2016. The idea of reducing the number of unsold homes in different cities in the PRC was mentioned at the National People's Congress and National Committee of the Chinese People's Political Consultative Conference. However, policies differentiation became more apparent as the price of both the properties and land in the popular cities rose rapidly. On one side, while the adjustment policies were tightened in popular cities, increasing efforts by the government was also evident on restricting property purchases and mortgage loans to restrain investment and speculative demands to minimize market risks. On the other hand, the destocking policy was continued during the year under review in the third and fourth-tier cities in the PRC to better adapt to market environment on both the supply and demand sides. At the same time, the central government had made some progression in enhancing construction of a long term mechanism for integration of districts and regions, and promoting a new form of urbanization to establish better environment for long term development of the industry.

Due to the scarcity of land resources, there had been significant reduction of land supply and transactions during the year under review. In the third and fourth-tier cities in the PRC, the destocking process continued and the land supply was still on the declining trend. Therefore, the land market in the second-tier cities in the PRC such as Nanjing and Hangzhou etc. had been the focus of property developers. The increase in land price during the year under review had also posed a bigger pressure on the later stages of the development and operation.

As a result of the above policies, the transaction volume in the first-tier cities remained basically stable as compared to that in 2015. In 2016, the average monthly area transacted in the first-tier cities was basically unchanged as compared to that in 2015. The growth in the amount of transactions in the second-tier cities was more obvious, and the average monthly area transacted in certain second-tier representative cities such as Nanjing and Hangzhou etc. even surpassed that in the first-tier cities. The transaction volume in the third-tier cities was volatile but growing in general, while the peripheral regions of the core cities were more influenced by the adjustment policies imposed by the government during the year. During the market transaction expansion process with increasing divergence in development in different cities, the transaction volume of new housings in the first-tier cities in the PRC with limited land supply has faced difficulties in keeping up with the pace of soaring price, thus created more market demand for second-hand housing, which resulted in a drastic change to the market suppliers and complexity in the future directions of the market. On a comparative basis, as there are still opportunities within the new housing market in the second-tier cities, it is expected that this will continue to be the focus of many developers in the PRC in the future so long as the market demand among different cities remains robust.

During the year under review, the Group completed sales for saleable areas of approximately 122,902 square meters, representing a year-on-year increase of 9.73%. The total sales completed was approximately RMB1,222 million, representing an increase of 41.27% year on year. The net turnover of the Group for the year 2016 was approximately RMB23,014,000, representing an increase of 25.57% as compared to approximately RMB18,328,000 in 2015. The loss attributable to owners of the Company was approximately RMB5,453,000, representing an increase of 10.74% as compared to the loss of approximately RMB4,924,000 in last year. The basic loss per share in 2016 was approximately RMB2.23 cents (2015: RMB2.30 cents). Given the loss recorded by the Group for the year and the need of the Group to maintain healthy liquidity level for appropriate investment opportunities in light of the expected slow recovery of the PRC property market in 2017, the Board did not recommend the payment of a final dividend for the year ended 31 December 2016.

The Group undertook a total of 13 projects in 2016, including 9 projects that focused on comprehensive property consultancy and sales agency service. As at 31 December 2016, the Group had a total of 11 executable projects with saleable areas of approximately 289,000 square meters. Looking forward, the Group will continue to endeavor to widen its business project base in order to enhance both the quality and quantity of our property planning, consultancy and sales agency service projects.

In 2016, the growth of the gross domestic products in the PRC was slightly lower than last year and was the lowest among the past years. However, as a result of the sluggish economy worldwide and the higher gross domestic products in the PRC than in India, China has taken back the role as the world's largest economy. In 2016, being the initial stage of a new phase in the market, such was also a stage for reinforcing supply-side structural reform by the PRC government. Various negative factors and risks, such as steel, coal overcapacity, at the expense of the environment in exchange for economic development, regional development and its imbalance, were accumulated from the past years, along with significant economic structural imbalance, setbacks in economy, lack of industrial competitiveness, severe excess production capacity, asset bubble and sluggishness in economy, which all called for attention of regulators in the PRC. At the same time, the global economy was deteriorating as we observed a rise of trade protectionism, impeded economic globalization and self-preservation tendency in various countries, as well as a downturn of world economic development and pessimistic forecasts of international trade and investment. There were also interruption of policy coordination among countries thus creating greater uncertainties of future international economic cooperation between countries. Nevertheless, such circumstances might be beneficial to the PRC in promoting a fast economic growth and effective destocking in the property market.

In terms of the international property market, the recent bearish global economic performance has resulted in massive capital outflows in form of cash from the real economy, which, when coupled with the effect of the policies of restrictions on property purchases of the domestic investors, had largely conserved sums of money for investment opportunities. The One Belt One Road policy promulgated by the Chinese government has created opportunities for Asian economies to perform. Since the implementation of the policy in 2013 which aims to strategically build a mutually beneficial community of shared interests, a community of shared responsibilities and a community of shared future, inclusive of other countries of Eurasia, featuring mutual political trust, economic integration and cultural inclusiveness had been created. In the beginning of 2016, the opening ceremony of Asia Infrastructure Investment Bank (AIIB) and the inaugural meeting were held in Beijing. AIIB was founded mainly to develop the infrastructure of Asian countries and to speed up the development in Asia as well as creating opportunities. Over the last few years, the countries in Southeast Asia have attracted large number of manufacturers by making use of their population advantages and low labour cost. Led by the economic growth of the PRC, the countries in the " One Belt, One Road" regions have brought a new peak in the construction of infrastructure and industrial development. It is expected that the future prospect of the property markets is promising in the " One Belt, One Road" regions, especially those in the Southeast Asian countries in line with the pace of economic development.

In 2017, the Group will continue to keep abreast of the economic and market developments on domestic levels, and adjust the market positioning of the Group accordingly to better exert our advantages in experience, while taking full advantage of existing resources in the industry in light of the real estate and relevant fiscal policies of the PRC government. The Group will also strive to expand the property consultancy and sales agency businesses in the first and second-tier cities with its prudent and optimistic strategies, so as to increase the number of projects, identify appropriate investment opportunities and broaden sales sources. At the same time, the Group has also targeted the Southeast countries in the "One Belt One Road" regions as its investment targets. On the other hand, the Group will strive to cut operating expenses by strengthening budget management and cost control, as well as to strictly control its cash flow, so as to ensure a healthy financial situation for sustainable and stable long term development.

Last but not least, I would like to extend my appreciation to all the members of the Board, the management and the staff for their ongoing efforts over the past year. I also wish to express my sincere gratitude to our shareholders, customers and business partners for their consistent trust in the Group and support to the Group. We will continue to dedicate our efforts towards the long-term development of the Group and strive for satisfactory returns for the shareholders.

By Order of the Board
Fortune Sun (China) Holdings Limited

Chiang Chen Feng
Chairman

24 March 2017
Hong Kong

DIRECTORS

Executive Directors

Mr. Chiang Chen Feng（江陳鋒）, aged 52, is the Chairman and an executive Director and one of the founders of the Group. Mr. Chiang graduated from Feng Chia University（逢甲大學）in Taiwan in June 1989 with a bachelor's degree in business management and started to engage in real estate property valuation and market research. During 1995 to 1996, Mr. Chiang was a researcher of Coastal Greenland Limited (Stock Code: 01124) (the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")), and focused on the PRC market. Mr. Chiang co-founded the Group in April 1997 and was appointed as a director of Shanghai Fu Yang Property Consultant Co., Limited（上海富陽物業諮詢有限公司）("Shanghai Fortune Sun") since then. He is also a director of each of the other subsidiaries of the Company. Mr. Chiang is the spouse of Ms. Chang Hsiu Hua, an executive Director. Mr. Chiang is currently the director of Active Star Investment Limited, which has an interest in such number of shares of the Company under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance as disclosed in the section headed "Directors' Report – Substantial Shareholders' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company" in this annual report.

Ms. Chang Hsiu Hua（張秀華）, aged 51, is an executive Director. Ms. Chang obtained her bachelor's degree in public finance from Feng Chia University（逢甲大學）in Taiwan in June 1988. In 1988, Ms. Chang joined Subaru Motors Co., Ltd.（仲慶汽車有限公司）and was responsible for valuation and insurance matters. In January 1993, she commenced working at Equity Law Firm（衡平法律事務所）and was responsible for legal related matters. Ms. Chang joined Shanghai Fortune Sun as a manager of the finance department in July 1997 and she was appointed as a member of the senior management of Shanghai Fortune Sun in January 2000 and has been responsible for financial management. In August 2005, Ms. Chang was appointed as a director of Shanghai Fortune Sun. She is also a director of two other subsidiaries of the Company. Ms. Chang is the spouse of Mr. Chiang Chen Feng, the Chairman and an executive Director.

Mr. Han Lin（韓林）, aged 49, is an executive Director. Mr. Han obtained a bachelor's degree in applied geophysics from Sichuan United University Chengdu College of Geology（四川聯合大學成都地質學院大學）in June 1989. Mr. Han is the holder of Certificate for Real Estate Brokers in Shanghai（上海房地產經紀人證書）. During 1989 to 1996, Mr. Han worked at the Shanghai Bureau of Marine Geological Survey（上海海洋地質調查局）. Mr. Han has been a director of Shanghai Fortune Sun since April 1997. Mr. Han is also a director of two other subsidiaries of the Company. Since January 2003, he was appointed as a deputy general manager of the business development department of Shanghai Fortune Sun and had been responsible for the business development of the Group. In May 2009, he was appointed as the vice-president of Shanghai Fortune Sun.

Non-executive Director

Ms. Lin Chien Ju（林倩如）, aged 44, is a non-executive Director. Ms. Lin obtained a Hospitality Management Diploma from the Educational Institute of the American Hotel and Motel Association in April 1996 and she obtained a bachelor's degree in Business Administration from the American University in London in August 1996. Ms. Lin received her Master of Arts Degree in Management from the Dominican University of California, the United States in May 1998. Ms. Lin is one of the co-founders of the Group. Ms. Lin has been a director of Shanghai Fortune Sun since April 1997. Ms. Lin is currently a director of Upwell Assets Corporation, which has an interest in such number of shares of the Company under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance as disclosed in the section headed "Directors' Report – Substantial Shareholders' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company" in this annual report.

Independent Non-executive Directors

Mr. Ng Wai Hung (吳偉雄), aged 53, has been appointed as an independent non-executive Director since June 2006. Mr. Ng is a practising solicitor and a partner in Iu, Lai & Li, a Hong Kong firm of solicitors. Mr. Ng practises in the areas of securities law, corporate law and commercial law of Hong Kong. Mr. Ng is also an independent non-executive director of seven other companies listed on the Stock Exchange, namely GOME Electrical Appliances Holding Limited (Stock Code: 00493), Sustainable Forest Holdings Limited (Stock Code: 00723), Trigiant Group Limited (Stock Code: 01300), Kingbo Strike Limited (Stock Code: 01421), On Time Logistics Holdings Limited (Stock Code: 06123), Laijin Entertainment Network Group Limited (Stock Code: 08172) and Xinyi Automobile Glass Hong Kong Enterprises Limited (Stock Code: 08328). Mr. Ng was also an independent non-executive director of Perception Digital Holdings Limited (currently known as Hongda Financial Holding Limited) (Stock Code: 01822), Hycomm Wireless Limited (currently known as Qingdao Holdings International Limited) (Stock Code: 00499) and Tech Pro Technology Development Limited (Stock Code: 03823), which he resigned in August 2014, September 2014 and March 2017, respectively.

Mr. Cui Shi Wei (崔士威), aged 65, has been appointed as an independent non-executive Director since June 2006. Mr. Cui obtained master's degree in Law from the Jilin University in the PRC in July 1986. Mr. Cui was a lecturer at the Law School of Jilin University (吉林大學法學學院) from July 1986 to July 1992. Mr. Cui worked as a senior management member of two nationwide insurance companies and Coastal Greenland Limited (Stock Code: 01124), the shares of which are listed on the Stock Exchange.

Dr. Cheng Chi Pang (鄭志鵬), aged 59, has been appointed as an independent non-executive Director since June 2006. Dr. Cheng obtained a bachelor's degree in Business, a master degree in Business Administration and a doctorate degree of Philosophy in Business Management from Curtin University of Technology, Heriot-Watt University and Burkes University in 1992, 1998 and 2003 respectively. In addition, Dr. Cheng obtained a Master of Laws (Chinese and Comparative Law) from City University of Hong Kong. Dr. Cheng is an associate member of the Hong Kong Institute of Certified Public Accountants, Institute of Chartered Accountants in England and Wales, the Australian Society of Certified Practising Accountants and the Taxation Institute of Hong Kong and a fellow member of the Hong Kong Institute of Directors. Dr. Cheng is a Certified Public Accountant practising in Hong Kong and has over 30 years of experience in auditing, business advisory and financial management. Dr. Cheng had been a group financial controller of NWS Holdings Limited (Stock Code: 00659), the shares of which are listed on the Stock Exchange. Currently, Dr. Cheng is the senior partner of Leslie Cheng & Co. Certified Public Accountants and the chairman and chief executive officer of L & E Consultants Limited. Dr. Cheng is also an independent non-executive director of China Ting Group Holdings Limited (Stock Code: 03398) and Tianjin Port Development Holdings Limited (Stock Code: 03382), all of which are companies listed on the Stock Exchange. Dr. Cheng was an independent non-executive director of Nine Dragons Paper (Holdings) Limited (Stock Code: 02689) and a non-executive director of Wai Kee Holdings Limited (Stock Code: 00610) and Build King Holdings Limited (Stock Code: 00240) which he resigned in March 2016, May 2016 and May 2016, respectively.

SENIOR MANAGEMENT

Ms. Wang Jia（王佳）, aged 47, is a director of Shanghai Fortune Sun and is responsible for supervising all development projects and managing the day-to-day operations of the Group. Ms. Wang joined the Group in April 1997 and had hold the positions of the executive, the assistant manager, manager and the deputy general manager and the general manager of sales department, the regional senior manager and the deputy regional general manager of sales department in Shanghai Fortune Sun. Ms. Wang graduated from Shanghai University in July 1992, majoring in mechanical design and manufacturing. Ms. Wang has 23 years of experience in property sales and marketing and is also a holder of Certificate for Real Estate Brokers in Shanghai（上海房地產經紀人證書）.

Mr. Wu Yungang（吳蘊鋼）, aged 39, is a regional general manager of Shanghai Fortune Sun and is responsible for coordinating all development projects and managing day-to-day operations of Shanghai Fortune Sun. Mr. Wu joined the Group in September 1997 and had held the positions of deputy manager, manager, the regional senior manager and the deputy general manager of sales department in Shanghai Fortune Sun. Mr. Wu graduated from the Artillery College of the PRC Liberation Army with certificate of administration and management in June 2005. Mr. Wu has 18 years of experience in real estate sales and marketing.

Mr. Lee Kwai San（李桂新）, aged 55, is the chief financial officer and the company secretary of the Company since November 2015 and is responsible for the financial, accounting and company secretarial functions of the Group. Mr. Lee has more than 25 years of experience in the finance and investment banking industry. Mr. Lee has previously worked in a number of investment banks and securities companies and was in charge of finance, compliance and company secretarial functions. Moreover, he also gained auditing experience in an international accounting firm before joining the finance and investment banking industry. Mr. Lee graduated from the Hong Kong Polytechnic (currently known as Hong Kong Polytechnic University) and is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants and the Hong Kong Securities and Investment Institute.

MARKET AND BUSINESS REVIEW

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 aboard. 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.（上海恆大集團（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 as set out in the section headed "Summary of Major Properties" of this annual report, no other significant investment was held by the Group. As at the date of this annual report, save for the continuing investment in 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).

This report is the report on the environmental, social and governance report of the Group for the financial year ended 31 December 2016. This report is compiled in accordance with the Environmental, Social and Governance Reporting Guide (ESG Guide), Appendix 27 of the the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") issued by the Stock Exchange and covers the comprehensive property consultancy and sales agency service operated by the Group in Shanghai and Hong Kong.

The issues on the environment, society and governance has been bringing new elements to the property industrial chain. Therefore, the Group is devoted to make improvement and contribution to sustainability so as to maintain its industrial and market advantages accumulated in over 20 years and to bring more diversified development to the industry in the future. As a property consultancy and sales agency service provider, although the negative impact caused to the environment during the operation is lesser than that in other industries, we continue to restrain ourselves from exerting negative impact on the environment from our daily operations by implementing policies to among others, conserve energy, paper and to recycle and reuse office supplies.

On the governance level, the Group believes that good corporate governance is essential for enhancing the sustainability of the Group. Therefore, we are committed to abide by the laws and regulations of the country, adopt appropriate corporate governance practices that satisfy our business needs and act under the principles of fairness and integrity. The Group will also channel more efforts in studying how to help different groups in the community in order to contribute to the society.

With this report, we hope to allow the Group to become an enterprise that pays close attention to the environment, society and governance, with sustainability as its long term target. We will continue to dedicate our efforts towards improving and upgrading the quality of our services to the customers and other stakeholders and maintaining our competitiveness in the industry.

If the shareholders of the Company (the "Shareholders") have any enquiries to this report, please direct the questions to our e-mail address: info@fortune-sun.com

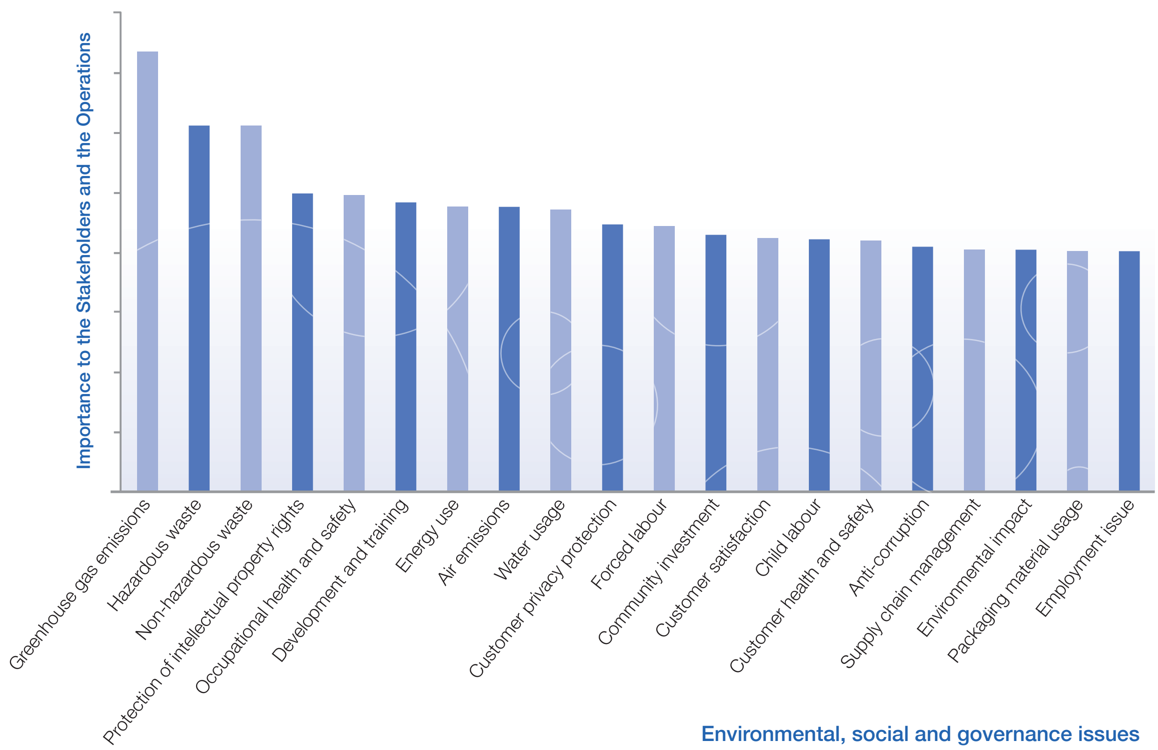
STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT

Through communication with the stakeholders, we can understand their concerns and expectation for the Group. During last year, our communication channels with stakeholders include seminars, staff training sessions, direct communications with customers, shareholders activities and investment seminars etc.

Among the various issues on the environment, society and governance, the Group identifies and focuses on those issues that are relatively more important to the Group. In order to ascertain different stakeholders' opinions on the materiality of the environmental, social and governance issues, we published an on-line survey in August 2016 which covered issues on the sustainable development such as environmental protection, fair labour treatment, supply chain management and community investment. The stakeholders may rank each of the sustainability issues according to the importance and relevance to the operations of the Company and comment on their interested environmental, social and governance issues.

Based on the results analysis of the survey, the Group has identified the issues that the stakeholders of the Company regarded as important. This report therefore focuses on discussions of the more important issues, which the Group might inject more resources to in the future.

Material Sustainability Issues



OPERATION MODEL

Protection of private information and intellectual property rights

The Group respects and observes all the laws and regulations that are related to customer data privacy and commercial rights, and makes sure that the information of the Company and customers of the Group can be appropriately protected and the relevant laws and regulations of the country are complied with. In addition, all staffs will receive induction training on relevant issues to make sure that they understand the importance of protecting privacy and property rights. In addition, confidentiality agreements will also be entered into between the Company and its employees to prevent information leakage. In the event that there is leakage of confidential documents or information by any staff of the Group, he or she will be dismissed and held legally liable for the leakage. The Group requires the suppliers to perform the same obligations of intellectual rights protection and confidentiality in accordance with the requirements of the relevant laws and regulations.

Prevention of bribery, extortion, fraud and money laundering

To ensure the sustainability of the provision of professional services by the Group in terms of its operations, the Group does not tolerate any forms of bribery, extortion, fraud and money laundering. The Group has in place a reporting mechanism for forged documents, illegal change of records, embezzlement of corporate properties for own benefits or engagement of any corruption activities, and disciplinary actions will be taken against the involved staffs. The Group requires every new staff to receive training on anti-corruption and signs company-employee integrity assurance letter to ensure that they understand the contents in the training and prevent corruption in order to minimize possibility of any corruption.

Management of suppliers

The suppliers that the Group mostly communicates with in the course of its operation are its service providers. The Group pays attention to the impartial cooperation relationship with its suppliers. To manage and maintain the long-term cooperation relationship with the suppliers, the Group has adopted a relevant code of conduct for the year ended 31 December 2016 and required its suppliers to sign a letter of undertaking which covered:

– Compliance with all local laws, including those related to labour standards (i.e. salaries, benefits, working conditions, anti-discrimination, no child labour nor forced labour);

– Performance of environmental obligations;

– Forbiddance of corruption or bribery activities;

– Protection of business information and intellectual property rights; and

– Quality and standards guarantee.

ENVIRONMENTAL PROTECTION

Although the operations of the Group do not affect the environment materially, the Group is still committed to formulate relevant environmental policies to implement the concept of environmental protection and energy conservation in our daily operations to reduce greenhouse gas emissions and waste and increase the awareness of environmental protection of our staffs.

Energy-saving in air-conditioning system

- the office temperature is set to 25.5 degrees
- air-conditioners will be turned off 20 minutes before office closing time

Energy-saving in illuminating system

- LED lights are used in office
- make use of natural lighting
- lights will be turned off after work

Water-saving

- encourage the use of water-saving appliances
- proper control of water discharge, turn off the tap after use

Reduce paper use

- encourage the staffs to use emails to communicate
- use of duplex-printing and recycled paper

When providing comprehensive property consultancy or pure property planning and consultancy services, the Group would also consider the possible environmental impacts of such plans, such as whether the environmental construction in the property project and the project itself comply with the local environmental laws and regulations, so that the customers of the Group will be well aware of the environmental elements of the project.

STAFF MANAGEMENT

Staff Relations

Our staffs are one of the most important assets of the Group. We strive to increase the work satisfaction of our staffs to promote efficiency and retainment of our staffs.

As a responsible corporation, the Group has established personnel management rules and regulations which are in accordance with the laws and regulations relating to human resources to ensure reasonable remuneration and rights are entitled by the staffs which include minimum wages, work-hour regulations, statutory holidays and paid annual leave and no unreasonable dismissal etc. In addition, we also provide different benefits which include performance-related fee, employee insurance, travelling and food allowance and housing allowance. We also strive to build a fair and diverse workplace, during the recruitment or promotion processes, and emphasis is placed on the virtues of the candidates to ensure that they are all treated fairly without any discrimination.

For the interests of the health and safety of our employees, we require them to maintain the cleanliness and safety in the office. In the case of any unsafe working conditions or work-related accidents, the management would be notified immediately. The Company also sets up a welfare committee to organize social gathering events such as birthday parties and staff gathering to facilitate communication and interaction among staffs of the Group.

We encourage our staffs to express their ideas and opinion to the management through the complaint channels in place, in order to allow the management to understand the problems encountered by the staffs of the Group from time to time when performing their duties, and allow the Group to respond with the appropriate improvements. The management believes such could strengthen the sense of belonging of the staffs of the Group.

Staff Training

The Group places strong emphasis on talent cultivation and believes that suitable training and long term career development for our employees will help improving the business performance of the Group as a whole as well as utilizing the potentials and enhancing working morale of the staffs of the Group.

All new staffs of the Group are required to attend induction training to better understand the corporate philosophy of the Group when they are first reported to the team. The contents of the training include the requisite knowledge in relation to the business of the Group and the labour standards and anti-corruption information in the employee handbook. In addition, we also provide executive training and professional training to the senior staffs of the Group to enhance their management skills and expertise. Continuing education is also encouraged and opportunities for external training courses and tuition fee subsidies will be given to qualified employees. Assessment will be given to these staffs after the end of the training sessions to ensure that they have fully understood the contents of the training.

In the future, we will continue to provide the staffs of the Group with suitable training to enhance the professional knowledge and skill level in order to achieve the overall strategic targets of the Group and promote the sustainability of the Group.

APPENDIX

The policies and reports of the Group pursuant to the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules for the year ended 31 December 2016.

Subject Areas, Aspects and General Disclosures		Policies and Procedures	Other Remarks
A – Environment			
A1 Emissions	Information on: a) the policies; and b) compliance with relevant laws and regulations that have significant impact on the issuer relating to waste and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste. *Note: Exhaust emissions include NOx, SOx, and other pollutants regulated by state laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.* *Hazardous wastes refer to those defined in the state regulations.*	No related policies –The Group does not have emissions that will significantly affect the environment	We have complied with all relevant laws and regulations. The operations of the Group do not have significant emissions that will affect the environment
A2 Use of Resources	Policies for effective use of resources (including energy, water and other raw materials). *Note: resources available for production, storage, transportation, buildings, and electronic devices etc.*	The Group has policies for monitoring water consumption in our offices, conserving electricity and conserving paper use	Please refer to the section headed "Environmental Protection" in this Environmental, Social and Governance Report for details
A3 Environmental and natural resources	Policies on minimizing the issuer's significant impact on the environment and natural resources.	No related policies –the operations of the Group do not have significant impact on the environment and natural resources	–

Subject Areas, Aspects and General Disclosures		Policies and Procedures	Other Remarks
B – Society			
B1 Employment	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to the compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Remuneration system Personnel management rules	We have complied with all relevant laws and regulations that have a significant impact on the Group. Please refer to the section headed "Staff Management – Staff Relations" in this Environmental, Social and Governance Report for details
B2 Health and Safety	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employee handbook	We have complied with all relevant laws and regulations that have a significant impact on the Group. Please refer to the section headed "Staff Management – Staff Relations" in this Environmental, Social and Governance Report for details
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. *Note: Training refers to vocational training. It may include internal and external courses paid by the employer.*	Training system of the Group	Please refer to the section headed "Staff Management – Staff Training" in this Environmental, Social and Governance Report for details
B4 Labour Standards	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Currently no related policies or procedures of the Group as such is not a priority issue to the Group	The Group has complied with all relevant laws and regulations and hired no child or forced labour

Subject Areas, Aspects and General Disclosures		Policies and Procedures	Other Remarks
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	Code of conduct of suppliers Letter of undertaking of suppliers	Please refer to the section headed "Operation Model – Manage suppliers" in this Environmental, Social and Governance Report for details
B6 Product Responsibility	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Personnel management rules Employee handbook No advertising policies, the related services are provided by service providers	We have complied with all relevant laws and regulations that have a significant impact on the Group. Please refer to the section headed "Operation Model – Protect privacy information and intellectual property rights" in this Environmental, Social and Governance Report for details
B7 Anti-corruption	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Personnel management rules Code of conduct of suppliers	We have complied with all relevant laws and regulations that have a significant impact on the Group. Please refer to the section headed "Operation Model – Prevent bribery, extortion, fraud and money laundering" in this Environmental, Social and Governance Report for details
B8 Community Investment	Policies on community engagement to understand the needs of the communities and to ensure its activities take into consideration the communities' interests.	No related policies – as such is not a priority issue to the Group at the moment	We have been actively reviewing and planning resources allocation in communities in the future and will engage in more community activities

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The principal activities of the Company's principal subsidiaries are provision of property consultancy and sales agency services for the primary property market mainly in the PRC. Particulars of the Company's subsidiaries are set out in note 18 to the consolidated financial statements. The nature of the principal activities of the Group has not changed during the year under review.

Environmental Policies and Performance

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

For details of the environmental policies of the Group, please refer to the section headed "Environmental, Social and Governance Report" in this annual report.

As at the date of this annual report, the Company has complied with all the relevant laws and regulations that have a significant impact on the operations of the Group.

The Important Relationship between the Group and its Employees, Customers and Suppliers

The Group has maintained a good relationship with its employees, customers and suppliers in providing quality comprehensive property consultancy and sales agency service.

Employees:	The Group places strong emphasis on human resources and strives to provide our employees with fair and competitive remuneration and benefits as well as a variety of training and development opportunities. The Group has also organized activities for our staffs on a regular basis in order to enhance interaction with them and encourage work-life balance.
Customers:	The major customers of the Group include property developers. We are committed to provide quality services to the customers of the Group and to protect data privacy of the customers of the Group to earn their trust.
Suppliers:	The major suppliers of the Group include service vendors that provide services including but not limited to renovation services and advertisement designing services. The Group seeks to maintain impartial and long-term cooperation relationship with the suppliers of the Group and has adopted relevant code of conduct to handle the cooperation relationship with the suppliers to attain mutual trust and respect between the Group and the suppliers.

For details of the relationship between the Group and its employees, customers and suppliers, please refer to the section headed "Environmental, Social and Governance Report" in this annual report.

Important events subsequent to the financial year

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

Business Review

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

Further discussion and analysis of the business review as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the laws of Hong Kong), including, among others, a description of the principal risks and uncertainties facing the Group and an indication of the likely future development in the Group's business, can be found in the section headed "Management Discussion and Analysis" as set out on pages 10 to 14 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 and the state of affairs of the Company and the Group as at 31 December 2016 are set out in the consolidated financial statements on pages 54 to 106 of this annual report.

On 24 March 2017, the Directors resolved not to recommend any final dividend to the shareholders of the Company (the "Shareholders") for the year ended 31 December 2016 due to the loss for the year of the Group.

CLOSURE OF REGISTER OF MEMBERS

To ascertain Shareholders' entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 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.

INVESTMENT PROPERTIES

Details of investment properties of the Group are set out in note 17 to the consolidated financial statements as well as the section headed "Summary of Major Properties" on page 108 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in share capital of the Company during the year under review are set out in note 24 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Company and of the Group are set out in note 25(b) to the consolidated financial statements and the consolidated statement of changes in equity on page 57 respectively.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, Cap. 22 (Law 3 of 1961, as revised and consolidated from time to time), the share premium is available for distribution to Shareholders subject to the provisions of the articles of association of the Company (the "Articles of Association"), and no distribution may be paid to Shareholders out of the Company's share premium unless the Company shall be able to pay its debt as they fall due in the ordinary course of business. As at 31 December 2016, the Company's reserves available for distribution amounted to approximately RMB28,757,000 (2015: RMB34,608,000).

GROUP FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last five financial years are summarized in the section headed "Summary of Financial Information" on page 107 of this annual report.

DIRECTORS

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

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

Non-Executive Director
Ms. Lin Chien Ju

Independent Non-Executive Directors
Dr. Cheng Chi Pang
Mr. Cui Shi Wei
Mr. Ng Wai Hung

According to Article 108(A) of the Articles of Association, not less than one-third of the Directors shall retire from office by rotation at each annual general meeting of the Company. Any Director who retires under this article shall then be eligible for re-election as Director. Mr. Chiang Chen Feng, Dr. Cheng Chi Pang and Mr. Cui Shi Wei will retire as Directors and, being eligible, offer themselves for re-election as Directors at the 2017 AGM.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION

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

DIRECTORS' SERVICE CONTRACTS

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

Each of the non-executive Director and the independent non-executive Directors has been appointed for a term of one year commencing from 10 June 2006 renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of appointment until terminated by not less than three months' notice in writing served by either the Company or the respective Director on the other party.

None of the Directors proposed for re-election at the forthcoming 2017 AGM has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (except for statutory compensation).

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENT

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

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

	Number of individuals	
	2016	2015
HK$Nil to HK$1,000,000 (equivalent to approximately RMBNil to RMB857,200 in 2016 and approximately RMBNil to RMB805,800 in 2015)	3	4*

* Including one of the senior management who has resigned as the company secretary of the Company with effect from 1 November 2015.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Particulars of a related party transaction is disclosed in note 29 to the consolidated financial statements. Such related party transaction is an exempted continuing connected transaction which has complied with the requirements of Chapter 14A of the Listing Rules.

Save as disclosed above, there was no transaction, arrangement or contract subsisting during or at the end of the year in which any Director or an entity connected with a Director was materially interested and which was significant in relation to the business of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2016, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Name of Directors	Company/ Name of associated corporation	Capacity	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Chiang Chen Feng ("Mr. Chiang")	The Company	Interest of a controlled corporation (Note 2)	86,385,979 Ordinary Shares (L)	35.30%
		Beneficial owner and interest of spouse (Note 3)	1,637,390 Ordinary Shares (L)	0.67%
Ms. Lin Chien Ju ("Ms. Lin")	The Company	Interest of a controlled corporation (Note 4)	43,622,460 Ordinary Shares (L)	17.82%
		Beneficial owner (Note 5)	105,217 Ordinary Shares (L)	0.04% (Note 12)

Name of Directors	Company/ Name of associated corporation	Capacity	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Han Lin ("Mr. Han")	The Company	Beneficial owner	7,051,801 Ordinary Shares (L)	2.88%
		Beneficial owner (Note 6)	2,051,739 Ordinary Shares (L)	0.83% (Note 12)
Ms. Chang Hsiu Hua ("Ms. Chang")	The Company	Interest of spouse (Note 7)	86,385,979 Ordinary Shares (L)	35.30%
		Beneficial owner and interest of spouse (Note 8)	1,637,390 Ordinary Shares (L)	0.67%
Dr. Cheng Chi Pang ("Dr. Cheng")	The Company	Beneficial owner (Note 9)	105,217 Ordinary Shares (L)	0.04% (Note 12)
Mr. Ng Wai Hung ("Mr. Ng")	The Company	Beneficial owner (Note 10)	105,217 Ordinary Shares (L)	0.04% (Note 12)
Mr. Cui Shi Wei ("Mr. Cui")	The Company	Beneficial owner (Note 11)	105,217 Ordinary Shares (L)	0.04% (Note 12)

Notes:

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

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

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

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

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

6. The long position of Mr. Han in these 2,051,739 Shares comprised the 1,950,000 options granted to him by the Company under the share option scheme on 12 March 2008 and upward adjustment of 101,739 to the number of options as a result of Rights Issue completed in November 2015.

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

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

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

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

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

12. These percentages are calculated on the basis of 247,205,997 Shares in issue as at 31 December 2016, assuming that all the then outstanding options granted under the share option schemes had been exercised as at that date.

Save as disclosed above, as at 31 December 2016, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the SFO) which had been notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2016, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

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

Notes:

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

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

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

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

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

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

Save as disclosed above, as at 31 December 2016, no person (other than a Director or chief executive of the Company) had registered an interest or short position in the Shares or underlying Shares of the Company that was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEMES

A pre-IPO share option scheme ("Pre-IPO Share Option Scheme") was adopted pursuant to the written resolutions passed by all Shareholders on 10 June 2006. The purpose of the Pre-IPO Share Option Scheme is to recognise and reward the contribution of certain directors, senior management, employees, consultants and advisers of the Group to the growth and development of the Group and the listing of the Company on the Main Board of the Stock Exchange. The Pre-IPO Share Option Scheme has remained in force for a period of 10 years commencing from 10 June 2006 and had expired during the year under review.

A post-IPO share option scheme ("Share Option Scheme A") was also adopted pursuant to the written resolutions passed by all Shareholders on 10 June 2006. The purpose of the Share Option Scheme is to enable the Group to grant share options to selected participants as incentives or rewards for their contribution to the Group. The Share Option Scheme A has remained in force for a period of 10 years commencing from 10 June 2006 and had expired during the year under review.

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

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

Details of the movements in the Company's outstanding share options granted under the Pre-IPO Share Option Scheme, Share Option Scheme A and Share Option Scheme B for the year ended 31 December 2016 were as follows:

	Number of shares in respect of share options								
Category of participant	Outstanding as at 1 January 2016	Granted during the year	Exercised during the year	Expired or cancelled during the year	Outstanding as at 31 December 2016	Date of grant	Exercise period	Adjusted Exercise price per Share with effect from 12 November 2015	Closing price of the Shares on the trading day immediately before the date of grant
								HK$	HK$
Directors:									
Mr. Han	789,130	–	–	789,130	–	10/06/2006	05/07/2007 to 04/07/2016	0.756	N/A
	1,025,869	–	–	–	1,025,869	12/03/2008	12/03/2009 to 11/03/2018	1.065	1.12
	1,025,870	–	–	–	1,025,870	12/03/2008	12/03/2010 to 11/03/2018	1.065	1.12
	2,840,869	–	–	789,130	2,051,739				
Ms. Lin	52,608	–	–	–	52,608	12/03/2008	12/03/2009 to 11/03/2018	1.065	1.12
	52,609	–	–	–	52,609	12/03/2008	12/03/2010 to 11/03/2018	1.065	1.12
	105,217	–	–	–	105,217				
Dr. Cheng	52,608	–	–	–	52,608	12/03/2008	12/03/2009 to 11/03/2018	1.065	1.12
	52,609	–	–	–	52,609	12/03/2008	12/03/2010 to 11/03/2018	1.065	1.12
	105,217	–	–	–	105,217				
Mr. Ng	52,608	–	–	–	52,608	12/03/2008	12/03/2009 to 11/03/2018	1.065	1.12
	52,609	–	–	–	52,609	12/03/2008	12/03/2010 to 11/03/2018	1.065	1.12
	105,217	–	–	–	105,217				
Mr. Cui	52,608	–	–	–	52,608	12/03/2008	12/03/2009 to 11/03/2018	1.065	1.12
	52,609	–	–	–	52,609	12/03/2008	12/03/2010 to 11/03/2018	1.065	1.12
	105,217	–	–	–	105,217				
	3,261,737	–	–	789,130	2,472,607				

During the year ended 31 December 2016, 789,130 options under the Pre-IPO Share Option Scheme had expired.

The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme A, Share Option Scheme B and any other share option scheme of the Group (including the Pre-IPO Share Option Scheme) must not in aggregate exceed 30% of the Shares in issue from time to time (i.e. 73,420,017 Shares as at the date of this annual report) (the "Overriding Limit"). No further options may be granted under the Share Option Scheme A and Share Option Scheme B if this will result in the Overriding Limit being exceeded.

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

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

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

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

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

As at the date of this annual report, options granted under the Share Option Scheme A to subscribe for 2,472,607 Shares, representing approximately 1.01% of the issued share capital of the Company at the date, remained outstanding.

As at the date of this annual report, the total number of Shares available for allotment and issue pursuant to the exercise of options to be granted under the Share Option Scheme A and Share Option Scheme B is 20,047,000 Shares, representing approximately 8.19% of the issued share capital of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the section headed "Share Option Schemes" above, during the year under review, no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Directors nor exercised by any of them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

PERMITTED INDEMNITY PROVISION

The service agreements entered into by the Company with each of the executive Directors, which are currently in force and were in force during the year ended 31 December 2016, contain permitted indemnity provisions for the benefit of the executive Directors.

Under the Articles of Association, the Company had a permitted indemnity provision (as defined in section 469 of the Companies Ordinance) in force for the benefit of the Directors throughout the year under review and as at the date of this report, pursuant to which every Director shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

In addition, the Company has also taken out and maintained directors' liability insurance during the year which provides appropriate cover for the Directors and directors of the subsidiaries of the Company.

During the year ended 31 December 2016, no claims were made against the Directors.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities during the year under review.

PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the year ended 31 December 2016.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover attributable to the Group's largest customer and five largest customers accounted for approximately 36.56% and 90.47% of the Group's total turnover for the year respectively.

The aggregate purchase attributable to the Group's largest supplier and five largest suppliers accounted for approximately 28.85% and 48.49% of the Group's total purchases of the year respectively.

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

PUBLIC FLOAT

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

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by RSM Hong Kong who will retire at the conclusion of the forthcoming 2017 AGM. A resolution will be proposed at the forthcoming 2017 AGM to re-appoint RSM Hong Kong as auditor of the Company for the year ending 31 December 2017.

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

Mr. Chiang Chen Feng
Chairman

Hong Kong, 24 March 2017

CORPORATE GOVERNANCE

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

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

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. The interests held or deemed to be held by individual Directors in the Company’s securities as at 31 December 2016 are set out on pages 28 to 30 of this report.

BOARD OF DIRECTORS

Board composition

The Group is led by and controlled through the Board, which currently consists of three executive Directors, namely Mr. Chiang Chen Feng, Ms. Chang Hsiu Hua and Mr. Han Lin, a non-executive Director, namely Ms. Lin Chien Ju, and three independent non-executive Directors, namely Dr. Cheng Chi Pang, Mr. Ng Wai Hung and Mr. Cui Shi Wei. Mr. Chiang Chen Feng is the chairman of the Board. Their biographical details are set out on pages 7 to 8 of this report.

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

All Directors including the non-executive Directors, are subject to retirement by rotation at annual general meetings of the Company at least once every three years pursuant to article 108(A) of the Articles of Association. During the year under review, Ms. Chang Hsiu Hua, Mr. Han Lin and Ms. Lin Chien Ju retired by rotation and were re-elected as Directors at the annual general meeting of the Company held on 17 June 2016.

Board's responsibilities and delegation

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

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

Non-executive Directors

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

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

BOARD MEETINGS AND ATTENDANCE

It is intended that the Board should meet regularly for at least four times a year, i.e. at approximately quarterly intervals. Additional meetings of the Board will be convened as and when required. Pursuant to article 133 of the Articles of Association, the Directors may participate in a Board or Board committee meeting either in person or through electronic means of communications. During the year ended 31 December 2016, the Board convened a total of four Board meetings (exclusive of meetings of Board committees constituted by the Board). The individual attendance record of the Directors at board meetings is tabulated as follows:

Name of Directors	Attendance/ Number of meetings
Executive Directors	
Mr. Chiang Chen Feng *(Chairman)*	4/4
Ms. Chang Hsiu Hua	4/4
Mr. Han Lin	3/4
Non-executive Director	
Ms. Lin Chien Ju	4/4
Independent non-executive Directors	
Dr. Cheng Chi Pang	4/4
Mr. Ng Wai Hung	2/4
Mr. Cui Shi Wei	4/4

COMMITTEES OF THE BOARD

The Board has established the Executive Committee, the Nomination Committee, the Audit Committee and the Remuneration Committee (as defined below) for overseeing different aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties and may seek independent professional advice in appropriate circumstances, at the Company's expense. The terms of reference of the Nomination Committee, the Audit Committee and the Remuneration Committee are published on the Company's website (www.fortune-sun.com) and the Stock Exchange's website (www.hkexnews.hk).

Details of the membership, roles and functions of these Board committees are set out below.

EXECUTIVE COMMITTEE

The Board has established an executive committee (the "Executive Committee") with written terms of reference on 12 January 2007. It consists of all of the executive Directors, namely, Mr. Chiang Chen Feng, Ms. Chang Hsiu Hua and Mr. Han Lin. Mr. Chiang Chen Feng is the chairman of the Executive Committee.

The Executive Committee meets as and when required reviews and approves, inter alia, any matters concerning implementation of strategies, policies and procedures approved by the Board, and the day-to-day operations and management of the Group, and has all the general powers of the Board except those matters specifically reserved for the Board. The Executive Committee did not convene any meeting during the year ended 31 December 2016.

NOMINATION COMMITTEE

The Board has set up a nomination committee (the "Nomination Committee") on 10 June 2006. The written terms of reference of the Nomination Committee have been published on the websites of the Company and the Stock Exchange. The Nomination Committee currently consists of one executive Director, namely, Mr. Chiang Chen Feng and two independent non-executive Directors, namely, Dr. Cheng Chi Pang and Mr. Ng Wai Hung. Mr. Chiang Chen Feng is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to make recommendations to the Board in respect of composition of the Board and its committees and policy and procedures of nomination and determination of new appointment and re-appointment of Directors, to monitor the implementation of the Board diversity policy and to ensure the effectiveness of the policy and to assess the independence of the independent non-executive Directors. Pursuant to the Board diversity policy adopted by the Board, when reviewing the composition of the Board and considering the nomination of new Directors, the Nomination Committee will take into account the qualification, ability, working experience, leadership, cultural and educational background, race, gender, age and professional ethics of potential candidates and also business needs of the Company.

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

During the year ended 31 December 2016, the Nomination Committee convened one meeting to review the policy and procedures for nomination of directors; to review the process and criteria adopted to select and recommend candidates for directorship; to review the terms of reference; to review the independence of independent non-executive directors, and to review the Board diversity policy. The individual attendance record of each member of the Nomination Committee is tabulated as follows:

Name of Members	Attendance/ Number of meeting
Mr. Chiang Chen Feng *(Chairman)*	1/1
Dr. Cheng Chi Pang	1/1
Mr. Ng Wai Hung	1/1

No nomination of new Director has taken place during the year ended 31 December 2016.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference on 10 June 2006. The written terms of reference have been published on the websites of the Company and the Stock Exchange. The Audit Committee consists of three independent non-executive Directors, namely Dr. Cheng Chi Pang, Mr. Ng Wai Hung and Mr. Cui Shi Wei. Dr. Cheng Chi Pang is the chairman of the Audit Committee.

The Audit Committee was set up for the purposes of reviewing and supervising the financial reporting process and internal control procedures of the Group and 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. The individual attendance record of each member of the Audit Committee is tabulated as follows:

Name of Members	Attendance/ Number of meetings
Dr. Cheng Chi Pang *(Chairman)*	4/4
Mr. Ng Wai Hung	3/4
Mr. Cui Shi Wei	4/4

REMUNERATION COMMITTEE

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

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

During the year ended 31 December 2016, the Remuneration Committee had reviewed and approved the payment of bonus to senior management and staff of the Group for the financial year ended 31 December 2015. The Remuneration Committee had also given recommendations to the Board in respect of emolument payable to the Directors, the emolument policy and long-term incentive schemes of the Group. During the year ended 31 December 2016, one meeting of the Remuneration Committee was held. The individual attendance record of each member of the Remuneration Committee is tabulated as follows:

Name of Members	Attendance/ Number of meeting
Mr. Cui Shi Wei *(Chairman)*	1/1
Mr. Ng Wai Hung	1/1
Dr. Cheng Chi Pang	1/1

CORPORATE GOVERNANCE FUNCTIONS

During the year under review, the Board determined the policy for the corporate governance of the Company. The Board has performed the corporate governance duties including: (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and (e) to review the Company's compliance with the CG Code and disclosure in this corporate governance report.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

During the year under review, the Directors are provided with monthly updates on the Company's performance and position to enable the Board as a whole and each Director to discharge their duties. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time and time, to ensure compliance by the Directors and to enhance the Directors' awareness of good corporate governance practices.

According to the records provided by the Directors, a summary of the trainings received by Directors during the year under review is as follows:

Name of Directors	Type of continuous professional development
Executive Directors	
Mr. Chiang Chen Feng *(Chairman)*	A
Ms. Chang Hsiu Hua	B
Mr. Han Lin	A
Non-executive Director	
Ms. Lin Chien Ju	A
Independent non-executive Directors	
Dr. Cheng Chi Pang	A
Mr. Ng Wai Hung	A
Mr. Cui Shi Wei	B

Notes:

A: attending briefing sessions and/or seminars relating to matters in financial, legal and corporate governance

B: reading seminar materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements

ACCOUNTABILITY AND AUDITOR'S REMUNERATION

The Board is responsible for preparing the accounts of the Company, which give a true and fair view of the financial position of the Group on a going concern basis. It is also responsible for presenting a balanced, clear and understandable assessment of the Group's annual and interim reports, other price-sensitive announcements and other financial disclosures as required under the Listing Rules. The management provides all relevant information and records to the Board which enables it to prepare the accounts and to make the above assessments.

For the year ended 31 December 2016, the remuneration payable/paid to RSM Hong Kong, the external auditor of the Company, is set out as follows:

Services rendered	Fees payable/paid RMB'000
Audit services	514
Non-audit services	–
Total	514

DIRECTORS' AND AUDITOR'S ACKNOWLEDGEMENT

The Directors acknowledge their responsibility for preparing the accounts for the year under review.

The external auditor of the Company acknowledges its reporting responsibilities in the independent auditor's report on the consolidated financial statements for the year under review.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the Group's risk management and internal control systems and reviewing their effectiveness, while the management and other personnel are responsible for implementing and maintaining the internal controls systems that covers governance, compliance, risk management, financial and operational controls to safeguard the Group's assets and stakeholders' interests. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute assurance against material misstatement or loss.

During the year under review, to identify, evaluate and manage significant risks, the risk management and internal control systems of the Group included the following main features:

- reviewing the organizational objectives;
- assessing the risk management philosophy to determine the risk tolerance level of the Group; and
- performing an entity-level risk assessment.

The Group adopted the standards set out in the Model Code and received confirmations from all Directors that they have complied with the Model Code throughout the year under review.

In relation to the procedures and internal controls of the Group for the handling and dissemination of inside information during the year under review, employees or Directors possessing such inside information should report the same to the Executive Director, who will in turn report to the Board. The Board will then discuss and handle the relevant disclosures or dissemination of inside information accordingly.

A. Risk Management and Internal Control Systems Review:

To review the effectiveness of the risk management and internal control systems of the Group and to resolve (if any) material internal control defects of the Group for the year under review, the Company adopted a COSO ERM – Integrated Framework (2004) which is issued by the Committee of Sponsoring Organizations ("COSO") of The Treadway Commission to perform the risk assessment (the "Review") on the Group. The Review was designed to enhance the risk management of the Group through a holistic and integrated framework so that all material risks faced by the Group could be identified and appropriately managed. In addition, the Group aims to:

(i) promote consistent risk identification, measurement, reporting and mitigation;

(ii) set a common risk language to avoid any conflicting terminology or confusion in risk reporting;

(iii) develop and communicate policies on risk management and controls aligned with the business strategy; and

(iv) enhance reporting to provide transparency of risks across the Group.

During the Review, the Company conducted the following procedures:

– interviewing with department heads and management to identify the risks over the Company business units;

– quantifying the risks by financial data and market searches; and

– prioritizing the identified risks as high, medium and low risk.

The Company will perform the ongoing assessment to update the entity-level risk factors and report to the Board on a regular basis.

B. Group Risk Report:

In 2016, the Company conducted an annual Group-wide review based on the Group's ERM Framework to assess the risks relevant to the existing businesses of the Group. The Group Risk Report for 2016 was compiled to cover: (i) the top risks of the Group; and (ii) associated action plans and controls designed to mitigate the top risks, where applicable, at appropriate levels.

C. Internal Audit Function

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

D. Management's confirmation on risk management

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

COMPANY SECRETARY

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

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

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

Shareholders' enquiries to the Board

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

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

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

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

Putting forward proposals at Shareholders' meeting

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

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

(ii) Other proposals

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

Change in constitutional documents

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

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

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

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

The 2016 AGM was held on 17 June 2016. The individual attendance record of the Directors at the meeting is tabulated as follows:

Name of Directors	Attendance/ Number of meetings
Executive Directors	
Mr. Chiang Chen Feng *(Chairman)*	1/1
Ms. Chang Hsiu Hua	0/1
Mr. Han Lin	1/1
Non-executive Director	
Ms. Lin Chien Ju	1/1
Independent non-executive Directors	
Dr. Cheng Chi Pang	1/1
Mr. Ng Wai Hung	1/1
Mr. Cui Shi Wei	0/1

Pursuant to article 72 of the Articles of Association and the Listing Rules, any vote of Shareholders at a general meeting of the Company must be taken by poll except where the chairman of the general meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Details of the procedures for conducting a poll will be explained during the proceedings of the general meeting.

Poll results will be published on both the Stock Exchange's website (www.hkexnews.hk) and the Investor Relations Section of our Company's website (www.fortune-sun.com) following any shareholders' meeting.

RSM

29th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

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

OPINION

We have audited the consolidated financial statements of Fortune Sun (China) Holdings Limited and its subsidiaries (the "Group") set out on pages 54 to 106, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are impairment assessments of trade receivables and trade deposits.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessments of trade receivables and trade deposits Refer to notes 20 and 21 to the consolidated financial statements respectively. Trade receivables and trade deposits in total represented 32% of the Group's net assets as at 31 December 2016 and were therefore significant to the consolidated financial statements. The impairment assessments of trade receivables and trade deposits require the application of judgement by management in determining their recoverability having regard to the current creditworthiness and past collection history of the Group's customers.	Our procedures in relation to management's impairment assessments included: • Discussing each projects' status at the reporting date with management; • Evaluating the recoverability of amounts due from each of the property developers for those past due projects at the reporting date after considering past collection history, subsequent settlements and any past due bad debt write-offs; and • Considering the status and likely outcome of litigation against customers for overdue amounts.

OTHER INFORMATION AND AUDITOR'S REPORT THEREON

The directors are responsible for the Other Information. The Other Information comprises all the information in Fortune Sun (China) Holdings Limited's 2016 annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Yam Tak Fai, Ronald.

RSM Hong Kong
Certified Public Accountants
Hong Kong

24 March 2017

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Revenue	7	**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	8	**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	10	**–**	4,247
Loss for the year attributable to owners of the Company	11	**(5,453)**	(4,924)
		RMB cents	RMB cents
Loss per share	15		
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

	Note	2016 RMB'000	2015 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	16	**835**	1,297
Investment properties	17	**3,428**	3,522
Golf club membership		**291**	291
Available-for-sale financial assets	19	**1,500**	1,500
		6,054	6,610
Current assets			
Trade receivables	20	**21,174**	12,771
Trade deposits	21	**600**	4,627
Prepayments and other deposits		**952**	492
Other receivables		**472**	12,129
Bank and cash balances	22	**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	**24,276**	24,276
Reserves		**43,325**	48,644
TOTAL EQUITY		**67,601**	72,920

Approved by the Board of Directors on 24 March 2017 and are signed on its behalf by:

Chang Hsiu Hua
Director

Han Lin
Director

	Attributable to owners of the Company							
	Share capital	Share premium	Merger reserve	Reserve fund	Share-based payment reserve	Foreign currency translation reserve	Accumulated losses	Total
		(note 26(b)(i))	(note a)	(note b)	(note 26(b)(ii))	(note 26(b)(iii))		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	20,708	41,141	14,554	16,621	3,363	(2,570)	(45,394)	48,423
Issue of new shares on exercise of share options	230	3,212	–	–	(1,263)	–	–	2,179
Issue of new shares under rights issue	3,338	23,321	–	–	–	–	–	26,659
Total comprehensive income for the year	–	–	–	–	–	583	(4,924)	(4,341)
Changes in equity for the year	3,568	26,533	–	–	(1,263)	583	(4,924)	24,497
At 31 December 2015	24,276	67,674	14,554	16,621	2,100	(1,987)	(50,318)	72,920
At 1 January 2016	24,276	67,674	14,554	16,621	2,100	(1,987)	(50,318)	72,920
Expired of share options	–	–	–	–	(664)	–	664	–
Total comprehensive income for the year	–	–	–	–	–	134	(5,453)	(5,319)
Changes in equity for the year	–	–	–	–	(664)	134	(4,789)	(5,319)
At 31 December 2016	24,276	67,674	14,554	16,621	1,436	(1,853)	(55,107)	67,601

Note:

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(5,453)**	(9,171)
Adjustments for:		
Interest income	**(641)**	(448)
Interest expense on other loan	**–**	498
Depreciation of property, plant and equipment	**403**	384
Depreciation of investment properties	**94**	94
Dividend income from an equity investment	**(2,536)**	–
Loss on disposals and written off of property, plant and equipment	**110**	–
Allowance/(reversal of allowance) for trade deposits	**247**	(832)
(Reversal of allowance)/allowance for trade receivables	**(898)**	489
Operating loss before working capital changes	**(8,674)**	(8,986)
(Increase)/decrease in trade receivables	**(7,505)**	6,628
Decrease in trade deposits	**3,780**	7,085
(Increase)/decrease in prepayments and other deposits	**(460)**	166
Decrease/(increase) in other receivables	**138**	(111)
Increase in accruals and other payables	**6,513**	1,567
Net cash (used in)/generated from operating activities	**(6,208)**	6,349
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(74)**	(825)
Proceeds from disposals of property, plant and equipment	**23**	35
Dividend income received	**2,536**	–
Repayment of shareholder's loan from an equity investment	**11,519**	842
Interest received	**641**	448
Net cash generated from investing activities	**14,645**	500

	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of new shares on exercise of share options	–	2,179
Net proceeds from issue of new shares under rights issue	–	27,398
Repayment of other loan	–	(8,000)
Interest paid on other loan	–	(498)
Net cash generated from financing activities	–	21,079
NET INCREASE IN CASH AND CASH EQUIVALENTS	**8,437**	27,928
Effect of foreign exchange rate changes	**134**	583
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**42,871**	14,360
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**51,442**	42,871
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**51,442**	42,871

1. GENERAL INFORMATION

Fortune Sun (China) Holdings Limited (the "Company") was incorporated in the Cayman Islands on 28 January 2003 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands. The address of its principal place of business in Hong Kong is Room 1115, 11th Floor, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong and its head office is located at Unit 901, 9th Floor, Orient Building, No. 1500 Century Avenue, Pudong New District, Shanghai, the PRC. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited since 5 July 2006.

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

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

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). 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 consolidated financial statements.

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.

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

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

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.

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

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 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
Amendments to HKFRS 4 Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 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.

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

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

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.

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

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

HKFRS 9 Financial Instruments *(Continued)*

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.

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

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

HKFRS 15 Revenue from Contracts with Customers *(Continued)*

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.

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

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

HKFRS 16 Leases *(Continued)*

As disclosed in note 28(i), 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. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention unless mentioned otherwise in the accounting policies below.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, the investment in subsidiaries are stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Foreign currency translation

(i) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Foreign currency translation *(Continued)*

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

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

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

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

(iii) Translation on consolidation

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Foreign currency translation *(Continued)*

(iii) Translation on consolidation *(Continued)*

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

(c) Property, plant and equipment

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Investment properties

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

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

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

(e) Operating leases

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

(f) Golf club membership

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

(g) Recognition and derecognition of financial instruments

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Recognition and derecognition of financial instruments *(Continued)*

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

(h) Financial assets

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

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

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Trade and other receivables

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

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

(j) Trade deposits

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

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

(k) Cash and cash equivalents

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Financial liabilities and equity instruments

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

(i) Trade and other payables

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

(ii) Equity instruments

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

(m) Revenue recognition

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Revenue recognition *(Continued)*

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

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

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

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

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

Dividend income is recognised when the shareholders' rights to receive payment are established.

(n) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Employee benefits *(Continued)*

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(o) Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

(p) Taxation

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Taxation *(Continued)*

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

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

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

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

(q) Impairment of non-financial assets

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Impairment of financial assets

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(t) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

The carrying amount of property, plant and equipment and investment properties as at 31 December 2016 were approximately RMB835,000 and RMB3,428,000 respectively (2015: RMB1,297,000 and RMB3,522,000).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Impairment loss for bad and doubtful debts

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

As at 31 December 2016, accumulated impairment loss for bad and doubtful debts of trade receivables and trade deposits amounted to approximately RMB446,000 and RMB1,005,000 respectively (2015: RMB2,456,000 and RMB758,000).

(c) Income taxes

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

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

The Group has limited exposure to foreign currency risk as most of its business transactions, assets and liabilities, except for certain bank and cash balances denominated in the United Stated Dollars ("USD"), are principally denominated in the functional currency of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2016, if the RMB had weakened or strengthened 7% (2015: 6%) against the USD with all other variables held constant, consolidated loss after tax for the year would have been approximately RMB1,708,000 (2015: RMB100) lower or higher, arising mainly as a result of the foreign exchange gain on bank and cash balances denominated in USD.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk

The Group's credit risk is primarily attributable to its trade receivables and trade deposits. The average credit period granted to customers for trade receivables is 90 days. The refund of trade deposits is in accordance with the terms of the underlying agency agreement. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts on a regular basis. In addition, the directors review the recoverable amount of each individual trade debt and trade deposit regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group has significant concentration of credit risk to its trade receivables and trade deposits as the Group's largest customer accounted for 35% (2015: 19%) of the trade receivables and trade deposits at the end of reporting period.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables and trade deposits are set out in the notes 20 and 21 to the consolidated financial statements.

(c) Liquidity risk

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

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is less than one year.

(d) Interest rate risk

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

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Categories of financial instruments

	2016 RMB'000	2015 RMB'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**74,205**	72,420
Available-for-sale financial assets	**1,500**	1,500
Financial liabilities:		
Financial liabilities at amortised cost	**13,093**	6,580

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. REVENUE

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

	2016 RMB'000	2015 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

8. INVESTMENT INCOME AND OTHER GAINS AND LOSSES

	2016 RMB'000	2015 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

9. SEGMENT INFORMATION

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

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

Revenue from major customers

	2016 RMB'000	2015 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.

10. INCOME TAX CREDIT

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

	2016 RMB'000	2015 RMB'000
Deferred tax and income tax credit (note 23)	–	(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 RMB'000	2015 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)

11. LOSS FOR THE YEAR

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

	2016 RMB'000	2015 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.

12. EMPLOYEE BENEFITS EXPENSE

	2016 RMB'000	2015 RMB'000
Employee benefits expense:		
Salaries, bonuses and allowances	**11,253**	9,533
Retirement benefits scheme contributions	**1,498**	1,521
	12,751	11,054

12. EMPLOYEE BENEFITS EXPENSE *(Continued)*

The five highest paid individuals in the Group during the year included three (2015: three) directors whose emoluments are reflected in the analysis presented in note 13. The emoluments of the remaining two (2015: two) individuals are set out below:

	2016 RMB'000	2015 RMB'000
Fees, salaries and allowances	**899**	807
Retirement benefit scheme contributions	**36**	33
	935	840

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
HK$Nil to HK$1,000,000 (equivalent to RMBNil to RMB857,200) (2015: equivalent to RMB Nil to RMB805,800)	**2**	2

13. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments:

The remuneration of every director is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking			
	Fees	Salaries and allowances	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Name of executive directors				
Mr. Chiang Chen Feng	–	648	–	648
Ms. Chang Hsiu Hua	–	576	–	576
Mr. Han Lin	–	347	78	425
Name of non-executive director				
Ms. Lin Chien Ju	150	–	–	150
Name of independent non-executive directors				
Mr. Ng Wai Hung	153	–	–	153
Mr. Cui Shi Wei	165	–	–	165
Dr. Cheng Chi Pang	165	–	–	165
Total for 2016	633	1,571	78	2,282
Name of executive directors				
Mr. Chiang Chen Feng	–	648	–	648
Ms. Chang Hsiu Hua	–	576	–	576
Mr. Han Lin	–	347	78	425
Name of non-executive director				
Ms. Lin Chien Ju	150	–	–	150
Name of independent non-executive directors				
Mr. Ng Wai Hung	144	–	–	144
Mr. Cui Shi Wei	155	–	–	155
Dr. Cheng Chi Pang	155	–	–	155
Total for 2015	604	1,571	78	2,253

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

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

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2015: nil).

The remuneration of the directors of the Group by band for the years ended 31 December 2016 and 2015 is set out below:

	Number of individuals	
	2016	2015
HK$Nil to HK$1,000,000 (equivalent to RMBNil to RMB857,200) (2015: equivalent to RMBNil to RMB805,800)	**3**	3

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

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

Apart from the transaction as disclosed in note 29, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

14. RETIREMENT BENEFIT SCHEMES

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

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

15. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately 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.

16. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures RMB'000	Computers RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
At 1 January 2015	483	1,809	2,026	3,019	7,337
Additions	66	22	686	51	825
Disposals/write off	–	(180)	(1,941)	(170)	(2,291)
Exchange differences	3	3	5	–	11
At 31 December 2015 and 1 January 2016	552	1,654	776	2,900	5,882
Additions	–	74	–	–	74
Disposals/write off	(266)	(330)	–	(594)	(1,190)
Exchange differences	5	3	5	–	13
At 31 December 2016	291	1,401	781	2,306	4,779
Accumulated depreciation and impairment					
At 1 January 2015	454	1,561	1,963	2,471	6,449
Charge for the year	9	61	199	115	384
Disposals/write off	–	(162)	(1,941)	(153)	(2,256)
Exchange differences	3	3	2	–	8
At 31 December 2015 and 1 January 2016	466	1,463	223	2,433	4,585
Charge for the year	12	36	286	69	403
Disposals/write off	(257)	(306)	–	(494)	(1,057)
Exchange differences	5	3	5	–	13
At 31 December 2016	226	1,196	514	2,008	3,944
Carrying amount					
At 31 December 2016	65	205	267	298	835
At 31 December 2015	86	191	553	467	1,297

17. INVESTMENT PROPERTIES

	Land RMB'000	Buildings RMB'000	Total RMB'000
Cost			
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	2,249	1,878	4,127
Accumulated depreciation and impairment			
At 1 January 2015	271	240	511
Charge for the year	51	43	94
At 31 December 2015 and 1 January 2016	322	283	605
Charge for the year	51	43	94
At 31 December 2016	373	326	699
Carrying amount			
At 31 December 2016	1,876	1,552	3,428
At 31 December 2015	1,927	1,595	3,522

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

	2016 RMB'000	2015 RMB'000
Outside Hong Kong:		
Long-term leases	**1,613**	1,659
Medium-term leases	**1,815**	1,863
	3,428	3,522

17. INVESTMENT PROPERTIES *(Continued)*

(b) Valuation processes of the Group

The Group obtained independent valuation from Asset Appraisal Limited, a member of the Hong Kong Institute of Surveyors, for its investment properties at least annually. For all investment properties, their current use equates to the highest and best use. Asset Appraisal Limited is of the opinion that had the Group's investment properties been carried at their fair values, the amount would be RMB9,770,000 (2015: RMB9,730,000).

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

(c) Valuation techniques

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

(d) Significant inputs used to determine fair value

As at 31 December 2016, the key assumptions adopted in the valuation in determining fair value were in the following ranges for the Group's portfolio of properties:

Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2016
Price per square metre	RMB3,313 to RMB25,000	Increase	RMB9,770,000

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

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

18. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2016 are as follows:

Name	Place of incorporation and date of incorporation	Issued/registered capital	Attributable equity interests 2016	Attributable equity interests 2015	Principal activities
Directly held:					
Millstone	BVI, 29 October 2002	100,000 ordinary shares of US$1 each	100%	100%	Investment holding
Fortune Sun Properties Limited	BVI, 13 October 2016	1 ordinary share of US$1 each	100%	–	Investment holding
Indirectly held:					
Shanghai Fu Yang Property Consultant Co., Ltd. ("Shanghai Fortune Sun") (note a)	PRC, 11 April 1997	US$7,600,000 registered capital	100%	100%	Property consultancy and agency services providing for the primary property market in the PRC
Cornerstone Investment Management & Consultancy Co., Limited ("Cornerstone") (note b)	PRC, 26 September 2005	US$200,000 registered capital	100%	100%	Provision of property consultancy and agency services and fund management in the PRC

Note:

(a) Shanghai Fortune Sun is a wholly-owned foreign enterprise established in the PRC.

(b) Cornerstone is a sino-foreign equity joint venture established in the PRC.

As at 31 December 2016, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to approximately RMB22,536,000 (2015: RMB12,917,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 RMB'000	2015 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.

20. TRADE RECEIVABLES

	2016 RMB'000	2015 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 RMB'000	2015 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

20. TRADE RECEIVABLES *(Continued)*

Reconciliation of allowance for trade receivables:

	2016 RMB'000	2015 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 RMB'000	2015 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.

21. TRADE DEPOSITS

	2016 RMB'000	2015 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 RMB'000	2015 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

21. TRADE DEPOSITS *(Continued)*

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.

22. BANK AND CASH BALANCES

As at 31 December 2016, the Group's bank and cash balances included short-term bank deposits amounted to RMB45,192,000 (2015: RMB9,000,000). The deposits are in HKD, USD and RMB and at a fixed interest rate in a range of 0.60% to 3.20% (2015: 3.65% to 3.75%) per annum and therefore is subject to fair value interest rate risk.

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

	2016 **RMB'000**	2015 RMB'000
RMB	**22,536**	12,917
USD	**25,990**	208
HKD	**2,916**	29,746
	51,442	42,871

23. DEFERRED TAX

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

	Deferred revenue **RMB'000**	**Tax losses** **RMB'000**	**Deferred expenditure** **RMB'000**	**Total** **RMB'000**
At 1 January 2015	4,863	–	(616)	4,247
(Credit)/charge to profit or loss	(2,381)	(2,206)	340	(4,247)
At 31 December 2015 and 1 January 2016	2,482	(2,206)	(276)	–
Charge/(credit) to profit or loss	1,128	(926)	(202)	–
At 31 December 2016	3,610	(3,132)	(478)	–

23. DEFERRED TAX *(Continued)*

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

	2016 **RMB'000**	2015 RMB'000
Deferred tax liabilities	**3,610**	2,482
Deferred tax assets	**(3,610)**	(2,482)
	–	–

At the end of the reporting period the Group had unused tax losses of approximately RMB14,737,000 (2015: RMB19,173,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB12,527,000 (2015: RMB8,823,000) of such losses. No deferred tax asset has been recognised in respect of remaining RMB2,210,000 (2015: RMB10,350,000) due to the unpredictability of future profit streams.

As at 31 December 2016, the Group's tax losses will expire in the following years:

	2016 **RMB'000**	2015 RMB'000
In 2021	**8,901**	–
In 2020	**420**	420
In 2019	**2,373**	2,373
In 2018	**–**	–
In 2017	**3,043**	3,043
In 2016	**–**	13,337
	14,737	19,173

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

24. SHARE CAPITAL

	Number of ordinary shares	Nominal value	
	'000	HK$'000	RMB'000
Authorised:			
Ordinary shares of HK$0.1 each			
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	2,000,000	200,000	206,000

	Number of ordinary shares	Nominal value	
	'000	HK$'000	RMB'000
Issued and fully paid:			
Ordinary shares of HK$0.1 each			
At 1 January 2015	201,280	20,128	20,708
Issue of new shares under rights issue	40,596	4,060	3,338
Exercise of share options	2,857	285	230
At 31 December 2015, 1 January 2016 and 31 December 2016	244,733	24,473	24,276

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

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buyback shares, raise new debts, redeem existing debts or sell assets to reduce debts. No changes had been made in the objectives, policies and processes during the years ended 31 December 2016 and 2015.

The only externally imposed capital requirement for the Group is to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares.

The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2016, 43.3% (2015: 43.3%) of the shares were in public hands.

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

(a) Statement of financial position of the Company

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		**22**	38
Investments in subsidiaries		**103**	103
		125	141
Current assets			
Prepayments and other deposits		**119**	97
Amounts due from subsidiaries		**51,565**	30,972
Bank and cash balances		**2,211**	29,738
		53,895	60,807
Current liabilities			
Accruals and other payables		**916**	1,239
Amount due to a subsidiary		**71**	825
		987	2,064
Net current assets		**52,908**	58,743
NET ASSETS		**53,033**	58,884
Capital and reserves			
Share capital		**24,276**	24,276
Reserves	25(b)	**28,757**	34,608
TOTAL EQUITY		**53,033**	58,884

Approved by the Board of Directors on 24 March 2017 and are signed on its behalf by:

Chang Hsiu Hua
Director

Han Lin
Director

25. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company

	Share premium RMB'000	Share-based payment reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2015	41,141	3,363	(7,692)	(25,595)	11,217
Currency translation differences	–	–	998	–	998
Issue of new shares on exercise of share options	3,212	(1,263)	–	–	1,949
Issue of new shares under rights issue	23,321	–	–	–	23,321
Loss for the year	–	–	–	(2,877)	(2,877)
At 31 December 2015	67,674	2,100	(6,694)	(28,472)	34,608
At 1 January 2016	67,674	2,100	(6,694)	(28,472)	34,608
Currency translation differences	–	–	(2,647)	–	(2,647)
Expired of share options	–	(664)	–	664	–
Loss for the year	–	–	–	(3,204)	(3,204)
At 31 December 2016	67,674	1,436	(9,341)	(31,012)	28,757

26. RESERVES

(a) Group

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

(b) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(o) to the consolidated financial statements.

(iii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(b) to the consolidated financial statements.

27. SHARE-BASED PAYMENTS

Equity-settled share option scheme

A pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") was adopted pursuant to a written resolution passed by all shareholders of the Company on 10 June 2006. The purpose of the Pre-IPO Share Option Scheme is to recognise and reward the contribution of certain directors, senior management, employees, consultants and advisers of the Group to the growth and development of the Group and the listing to the Stock Exchange. The Pre-IPO Share Option Scheme was expired in July 2016.

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

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

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

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

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

27. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

Details of the specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Adjusted exercise price (note a) HK$
Share Option 1	12/3/2008	12/3/2008 to 11/3/2009	12/3/2009 to 11/3/2018	1.065
Share Option 2	12/3/2008	12/3/2008 to 11/3/2010	12/3/2010 to 11/3/2018	1.065

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

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

	2016		2015	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**3,261,737**	**0.990**	5,900,000	1.000
Adjustment in respect of the rights issue (note a)	**–**	**–**	219,127	0.010
Exercise during the year	**–**	**–**	(2,857,390)	0.950
Expired during the year	**(789,130)**	**0.756**	–	–
Outstanding at the end of the year	**2,472,607**	**1.065**	3,261,737	0.990
Exercisable at the end of the year	**2,472,607**	**1.065**	3,261,737	0.990

27. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

Details of the share options outstanding during the year are as follows: *(Continued)*

Notes:

(a) The number and exercise price of the outstanding share options were adjusted as a result of completion of the rights issue on 16 November 2015 by issuing 40,596,000 rights shares on the basis of one rights share for every five then existing shares.

(b) The closing share price at the date of exercise for share options exercised during the year was HK$1.065 (2015: HK$0.990). The options outstanding at the end of the year have a weighted average remaining contractual life of 1.2 years (2015: average life of 1.6 years) and the adjusted exercise price of HK$1.065 (2015: adjusted exercise prices range from HK$0.756 to HK$1.065).

(c) On 17 June 2016, the Company has passed a resolution in a shareholders' meeting for the adoption of a new share option scheme (the "New Share Option Scheme"). Details of the New Share Option Scheme are set out in Directors' Report under the heading "Share Option Schemes". As at 31 December 2016, no option has been granted by the Company under the New Share Option Scheme since its adoption. There were no options granted during the year ended 31 December 2015.

28. COMMITMENTS

(i) Operating lease commitments

At 31 December 2016 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016 **RMB'000**	2015 RMB'000
Within one year	**2,191**	1,330
In the second to fifth years inclusive	**66**	1,044
	2,257	2,374

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

28. COMMITMENTS *(Continued)*

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

	2016 **RMB'000**	2015 RMB'000
Legal and professional fee	**–**	500

29. RELATED PARTY TRANSACTION

In addition to those related party transactions disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related party during the year:

	2016 **RMB'000**	2015 RMB'000
Rental expense to a related company owned by a director of the Company	**802**	446

30. CONTINGENT LIABILITIES

At 31 December 2016 the Group did not have any significant contingent liabilities (2015: nil).

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

	Year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**23,014**	18,328	23,814	34,956	30,908
Loss for the year attributable to owners of the Company	**(5,453)**	(4,924)	(6,045)	(1,783)	(816)

	At 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES					
Total assets	**80,694**	79,500	64,941	70,797	73,020
Total liabilities	**13,093**	6,580	16,518	16,711	17,141
Total equity	**67,601**	72,920	48,423	54,086	55,879

Summary of Major Properties

Investment Properties Held

Descriptions	Total gross floor areas (sq.m.)	Nature of Property	Attributable interest of the Group	Category of lease
1. Underground Room No. 302 of Block No. 1, and Underground Room No. 101, South Tower of Block No. 2 of Chao Yang Jie Zuo, No. 134 Yuan Shifoying East Lane, Chanyang District, Beijing, the PRC	approximately 227.32 sq.m (area of the underground rooms)	Residential	100%	Long-term
2. Units Nos. 201 & 202 of Block No. 301 and Bicycle Parking Space No. 50 of Xiang Di Ya Jing, No. 1028 Renmin West Road, Haimen City, Jiangsu Province, the PRC	approximately 276.58 sq.m	Residential and bicycle parking	100%	Long-term
3. Rooms Nos. 29 and 30 on Level 8 of Jiu Wu Business Mansion, No. 598 Jiangnan Road, Science and Technology Park District, Ningbo City, Zhejiang Province, the PRC	approximately 176.90 sq.m	Office	100%	Medium-term
4. Car Parking Spaces Nos. 199 and 200, Basement Level 1, Jiu Wu Business Mansion, No. 19 Lane 328 Yangmuqi Road, Jiangdong District, Ningbo City, Zhejiang Province, the PRC	approximately 29.60 sq.m	Car parking	100%	Long-term
5. Shop No. 39, Tian Ci Liang Yuan, No. 39 Lane 55 Qingfeng Road, Cicheng Town, Jiangbei District, Ningbo City, Zhejiang Province, the PRC	approximately 79.19 sq.m	Shop	100%	Medium-term
6. Car Parking Spaces Nos. 11, 12, 13 and 14, Basement Level 1, Tian Ci Liang Yuan, No. 53 Lane 55 Qingfeng Road, Cicheng Town, Jiangbei District, Ningbo City, Zhejiang Province, the PRC	approximately 60.36 sq.m	Car parking	100%	Long-term