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FORTUNET E-COMMERCE GROUP LIMITED

鑫網易商集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1039)

CORRECTION OF ERRORS IN PRIOR PERIODS' FINANCIAL STATEMENTS

The board of directors (the “**Directors**”) of Fortunet e-Commerce Group Limited (the “**Company**”) announces that certain prior year adjustments will be made to the consolidated financial statements of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2014 as reported in the Company’s 2014 Annual Report. These adjustments will also have certain effects on the Group’s consolidated financial statements for the six months ended 30 June 2015 as reported in the Company’s 2015 Interim Report.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by the Company pursuant to Rule 13.51(7) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The auditor’s report issued on the consolidated financial statements of the Group for the year ended 31 December 2014 (the “**Group’s 2014 Financial Statements**”) prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which was included in the Company’s 2014 Annual Report dated 24 March 2015, was qualified by the auditor due to the auditor’s inability to satisfy themselves that certain of the management’s assumptions were reasonable. These assumptions related to whether the Group’s property, plant and equipment and inventories were impaired or required to be written down to their net realisable value, respectively.

In view of the concerns that the existing shareholders and stakeholders, and future and potential investors of the Company may have on this matter, the Directors consider it necessary to address this matter appropriately. Accordingly, the Directors have revisited the information previously prepared, including but not limited to the then cash flow forecasts prepared by the management, and have further investigated whether any of the Group’s non-current and current assets were impaired or required to be written-down as at 31 December 2014.

During this process, the Company, through various channels, was able to obtain information that should have been available during the preparation of the Group's 2014 Financial Statements. The Directors consider such additional information, if made available to the Directors at that time, would have resulted in a different conclusion on whether or not the Group's non-current and current assets were impaired or required to be written-down. From the foregoing, the Directors concluded that the Group's 2014 Financial Statements contained various errors.

After taking into account the information previously used and the newly acquired information which should have been made available to the Directors during the preparation of the Group's 2014 Financial Statements, the Directors have prepared revised cash flow forecasts and estimated the recoverable amount of the relevant assets. Based on the above results, the Directors concluded that additional impairment losses on the Group's property, plant and equipment and lease prepayments of approximately RMB226,507,000 and write-down on inventories of approximately RMB32,695,000 should have been recorded in the Group's 2014 Financial Statements. These impairment losses and write-downs had previously been included in the unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2015.

As a result, the Group's 2014 Financial Statements and the unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2015 will be restated to reflect these prior periods' adjustments. The effects of such adjustments to the previously reported financial results and positions are summarised below:

For the year ended 31 December 2014

	Net assets <i>RMB'000</i>	Net loss <i>RMB'000</i>
As previously reported	692,430	149,730
Prior periods' adjustments	(259,202)	259,202
As restated	<u>433,228</u>	<u>408,932</u>

For the six months ended 30 June 2015

	Net assets <i>RMB'000</i>	Net loss <i>RMB'000</i>
As previously reported	219,848	726,398
Prior periods' adjustments	-	(259,202)
As restated	<u>219,848</u>	<u>467,196</u>

The information contained in this announcement is based on the unaudited management accounts of the Group, which have not been audited by the Company's auditors.

The details of these additional impairment losses and write-downs will be disclosed in an explanatory note relating to prior periods' adjustments in the audited financial results of the Group for the year ended 31 December 2015 prepared in accordance with HKFRSs, which are expected to be published by the end of March 2016.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 29 February 2016

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