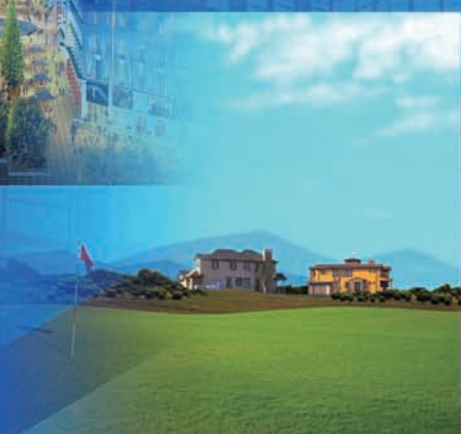
Fortune Sun (China) Holdings Limited
富陽(中國)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 352



Annual Report 2007

Contents

Company Profile

Fortune Sun (China) Holdings Limited (the "Company"), together with its subsidiaries (collectively the "Group") is one of the leading property consultancy and agency services companies for the primary property market in the People's Republic of China (the "PRC"). The Company's principal focal areas are Shanghai and other areas in the eastern China. The major subsidiary of the Group, Shanghai Fu Yang Property Consultant Co., Ltd ("Shanghai Fortune Sun"), was awarded as one of the "2007 Top 10 China's Real Estate Consulting Company Brand Value" by four well-known research entities, namely China Real Estate Association, Enterprise Research Institute of the Development Research Center of State Council, Real Estate Research Institute of Tsinghua University and China Index Academy. Shanghai Fortune Sun was also ranked No.8 in the property consultancy and agency industry in the PRC and No.4 in the eastern China in 2007 based on the PRC Real Estate Consultancy and Agency Top 100 Enterprises Research Report jointly published by China Real Estate Association, Enterprises Research Institute of the Development Research Center of State Council, Real Estate Research Institute of Tsinghua University and China Index Academy in 2008. Other subsidiaries are engaged in the property consultancy services in other sectors and geographical regions.

The Company was listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 July 2006 (the "Listing Date").

STOCK INFORMATION

- Stock Code: 00352
- Board Lot: 2000 shares
- Number of Shares Issued (as at 31 December 2007): 200,250,000
- Market Value (as at 31 December 2007): HK$224 million
- Financial Year End: 31 December

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. Ng Wai Hung
Mr. Cui Shi Wei

EXECUTIVE COMMITTEE

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman KY1-1111
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Units 01-08
Level 31
China Insurance Building
No. 166 Lujiazui East Road
Pudong Xin District
Shanghai 200120
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1702, 17th Floor,
Top Glory Tower,
262 Gloucester Road,
Causeway Bay,
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
British West Indies

Corporate Information

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

COMPANY SECRETARY

Mr. Leung Ka Lok *FCCA, CPA, MBA*

COMPLIANCE OFFICER

Ms. Chang Hsiu Hua

QUALIFIED ACCOUNTANT

Mr. Leung Ka Lok *FCCA, CPA, MBA*

COMPLIANCE ADVISER

Taifook Capital Limited

AUDITORS

Baker Tilly Hong Kong Limited
Certified Public Accountants

HONG KONG LEGAL ADVISERS

Chiu & Partners

PRINCIPAL BANKER

Standard Chartered Bank (Hong Kong) Limited
China Minsheng Banking Corporation Limited

WEBSITE ADDRESS

www.fortune-sun.com
www.fortune-sun.cn
www.fortune-sun.com.cn

Chairman's Statement

We are pleased to announce to the shareholders of the Company that the Group's performance had an improvement in the 2007 operation and made a double-digit growth in both revenue and profit for the year of 2007.

Being a developing country, China is still the most attractive place for investment with the anticipation of Renminbi currency appreciation and strong domestic demand, which are however driving up the inflation as a result. In order to stabilize the economy against from being overheated, the Central Government persistently regulates the market by introducing a cluster of austerity measures. It is unavoidable that the property sector will be one of the industrial sectors to be regulated as housing matter is a fundamental social issue. Although it resulted in making the property market more volatile in 2007, the investment sentiments in both stock market and property market were still active and sustained the property demand. The Group then managed to improve its turnover by approximately 30.9% to approximately RMB97.9 million (2006: RMB74.8 million) as well as the profit attributable to shareholders by approximately 18.0% to approximately RMB22.6 million (2006: RMB 19.2 million) as compared to that in last year. The basic earnings per share was approximately RMB11.32 cents (2006: RMB11.00 cents).

The Board of Directors ("the Board") had recommended the payment of a final dividend of HK$2.50 cents (2006: HK$2.40 cents) per share for the year ended 31 December 2007.

In aiming to increase the Group's revenue and to capture more market share, our management is actively exploring other means of generating revenues from other property agency and consultancy businesses, apart from the major source of income from comprehensive property consultancy and agency projects for the primary property market in the PRC. Second-hand property agency in the PRC is one of the businesses which we will commence in the future.

In the coming future, we strongly believe that the property market in China will remain vivid with the anticipated growth and the Group will broaden its revenue streams in other consulting businesses, such as asset management services, property investment consulting services in view of increasing the earning power and to cultivate branding of the Company.

Lastly, on behalf of the Board, I would like to extend my deepest appreciation to the management and staff for their dedicated commitment and ongoing efforts to improve and enhance our services for our customers. I would also wish to express my sincere thanks to business partners, consultants, government authorities, customers and shareholders for their support and cooperation throughout the year.

Fortune Sun (China) Holdings Limited

Chiang Chen Feng
Chairman

22 April 2008
Hong Kong

Directors & Senior Management

DIRECTORS

Executive Directors

Mr. Chiang Chen Feng (江陳鋒), aged 43, is the Chairman and an executive Director and one of the founders of the Company. Mr. Chiang graduated from Feng Chia University (逢甲大學) in Taiwan in June 1989 with a Bachelor 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 (the shares of which are listed on the Stock Exchange) focusing 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 ("Shanghai Fortune Sun") since then. He is also a director of each of the Company's other subsidiaries, namely, SinoCity Asset Management Consultancy (Shanghai) Limited ("SinoCity"), Full Sincerity Advertising Company Limited ("Full Sincerity"), Millstone Developments Limited ("Millstone") and High Color Investments Limited ("High Color"). Mr. Chiang is the spouse of Ms. Chang Hsiu Hua, an executive Director.

Ms. Chang Hsiu Hua (張秀華), aged 42, is an executive Director. Ms. Chang obtained her Bachelor's Degree in Department of Public Finance (財稅系) 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 was employed at Equity Law Firm (衡平法律師事務所) and 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 since 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 each of SinoCity, Full Sincerity and High Color. Ms. Chang is the spouse of Mr. Chiang Chen Feng, an executive Director.

Mr. Han Lin (韓林), aged 40, is an executive Director. Mr. Han obtained a Bachelor's Degree in Department of Applied Geophysics (應用地球物理系) 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 was employed at Shanghai Bureau of Marine Geological Survey (上海海洋地質調查局). Mr. Han is also a director of each of Shanghai Fortune Sun and SinoCity. Since January 2003, he was appointed as a deputy general manager of the business development department of Shanghai Fortune Sun and responsible for the business development of the Group.

Non-executive Director

Ms. Lin Chien Ju (林倩如), aged 35, 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 Degree of Bachelor of Business Administration from the American University in London in August 1996. Ms. Lin received her Master of Arts Degree in Management from the Domincan 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.

DIRECTORS *(Continued)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Wai Hung（吳偉雄）, aged 44, is 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 area of securities law, corporate law and commercial law in Hong Kong. Mr. Ng is also an independent non-executive director of three companies listed on the Stock Exchange, namely KTP Holdings Limited, Tomorrow International Holding Limited and Sanyuan Group Limited.

Mr. Cui Shi Wei（崔士威）, aged 56, is an independent non-executive Director since June 2006. Mr. Cui obtained a Law Master Degree from the Jilin University in the PRC in July 1986. Mr. Cui was a lecturer in the Law School of Jilin University（吉林大學法學學院）from July 1986 to July 1992 and worked as a senior management of a nationwide insurance company. Mr. Cui also worked as a senior management member of Coastal Greenland Limited, the shares of which are listed on the Stock Exchange.

Dr. Cheng Chi Pang（鄭志鵬）, aged 51, is an independent non-executive Director since June 2006. Dr. Cheng obtained a Bachelor Degree in Business, a Master Degree in Business Administration and a Doctorate Degree of Philosophy in Business Management. 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, the Taxation Institute of Hong Kong and the fellow member of Hong Kong Institute of Directors. Dr. Cheng is a Certified Public Accountant practising in Hong Kong and has over 25 years of experience in auditing, business advisory and financial management. Dr. Cheng had been a group financial controller of NWS Holdings Limited, the shares of which are listed on the Stock Exchange. Currently, Dr. Cheng is the senior partner of Leslie Cheng & Co. Certified Public Accountants, the chairman of the Supervisory Board of The Macao Water Supply Company Limited and Chief Executive Officer of L & E Consultants Limited. Dr. Cheng is also a non-executive director of Wai Kee Holdings Limited and Build King Holdings Limited; and an independent non-executive director and chairman of audit committee of China Ting Group Holdings Limited, Nine Dragons Paper (Holdings) Limited and Tianjin Port Development Holdings Limited, all of which are companies listed on the Stock Exchange.

SENIOR MANAGEMENT

Ms. Wang Jia(王佳), aged 38, is a general manager of Shanghai Fortune Sun and responsible for supervising all development projects and managing the day-to-day operations. Ms. Wang joined the Group in April 1997 and prior to holding the current position, Ms. Wang held the following positions in Shanghai Fortune Sun: the executive, the assistant manager, the manager and the deputy general manager and the general manager of sales execution department, the regional senior manager of sales execution department in Shanghai and the deputy regional general manager. Ms. Wang graduated from mechanical engineering department Shanghai University in July 1992, majoring in mechanical design and manufacturing. Ms. Wang has 10 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. Leung Ka Lok(梁家樂), aged 37, is the Group's chief financial officer and the company secretary of the Company since October 2005. Mr. Leung holds a Master degree in Business Administration of University of Manchester and Bachelor's Degree in Accountancy of City University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants and fellow member of the Association of Chartered Certified Accountants. Mr. Leung has 15 years of experience in auditing, financial management, direct investment and corporate finance.

Ms. Jao Hui Mei(饒慧美), aged 41, is a general manager of Full Sincerity since November 2006. Ms. Jao joined the Group in May 2001 and prior to holding the current position, Ms. Jao held the following positions in Shanghai Fortune Sun: the executive, the assistant manger, the manager, the senior manager, the deputy general manager and the general manager of promotion planning department. Ms. Jao obtained a diploma of Enterprise Management, majoring in sale management from College for professional training in finance and business(私立致理商業專科學校)in June 1989. Ms. Jao has over 11 years' corporate planning experience.

Mr. Zhang Hai Yun(張海雲), aged 36, is a general manager of business development department of Shanghai Fortune Sun. Mr. Zhang joined the Group in April 1997 and prior to holding the current position, Mr. Zhang held the following positions in Shanghai Fortune Sun: the manager of research department and sales execution department, the deputy regional general manager, the regional general manager,the general manager of the operational division and the general manager. Mr. Zhang holds a Bachelor's Degree of Engineering Management from Shanghai University of Engineering Science(上海工程技術大學). Mr. Zhang has 12 years' experience in property market and specialises in business development and operation. He is a holder of Certificate for Real Estate Brokers in Shanghai(上海房地產經紀人證書)and Certificate for State Real Estate Brokers(全國房地產經紀人證書).

Management Discussion and Analysis

MARKET REVIEW

China's economy underwent a glamorous growth over the year of 2007 but the property market was clouded with the continuing imposition of austerity measures by the People's Bank of China and other government bureaus in China in view of cooling down the overactive investment activities. The measures which resulted in the tightening of monetary control in the banking system by introducing higher deposit-reserve ratio, piling up transaction costs on the property trading activities by levying more relevant taxes, imposing legislative restrictions on properties purchased by foreign buyers and lowering down the second house mortgage loan had been introduced continuously throughout the year. Nevertheless, several fundamental economic factors, like the liquidity overflow, restrictions on overseas investment and the anticipated appreciation in Renminbi, still outweighed the influence of those measures and resulted in the maintainance of optimistic investment sentiments which enabled both property and stock markets in Mainland China to remain strong and to perform extremely well in first three quarters of 2007, especially in the Quarter 3(Q3). It can be clearly reflected in the gross domestic product index growth for the year 2007 which hit 11.4% increment in accordance with the information from National Bureau of Statistics in China.

BUSINESS REVIEW

Accommodated by the persistent strong economic environment in China, a bounce back in the property market activities was resulted in the current year and caused by the increase in turnover of the Group as compared to 2006. An annual turnover in 2007 was recorded at approximately RMB97.9 million, representing an approximately 30.9% growth as compared to approximately RMB74.8 million in 2006. The growth in revenue was principally due to the increase in the saleable area being sold from the comprehensive property consultancy and agency projects undertaken by the Group. For the year under review, the revenue generated from the comprehensive property consultancy and agency projects increased by approximately 30.7% to approximately RMB97.7 million from approximately RMB 74.8 million in 2006.

From the geographical perspective, Shanghai remained to be our focal area for generating revenue which contributed approximately 52.7% of annual turnover of 2007 (approximately 65.2% in 2006). Among the annual turnover, approximately 47.3% of it (approximately 34.8% in 2006) was generated from other areas in China.

The gross profit margin of the Group was approximately 48.9% in the year ended 31 December 2007, a decrease of approximately 6.6% as compared to 2006 with more operational costs incurred during the year. The profit attributable to equity shareholders accounted for approximately RMB22.6 million as compared with approximately RMB19.2 million in 2006, representing an increase of approximately 18.0%, mainly due to the effect of rising turnover outweighing the increased costs in 2007.

Comprehensive property consultancy and agency business

The provision of comprehensive property consultancy and agency services for the primary property market in the PRC is still the core business of the Group. In 2007, the turnover of the Group was generated from 28 comprehensive property consultancy and agency projects (2006: 28 projects) with approximately 692,000 square metres (2006: approximately 500,000 square metres) of gross floor areas of the relevant underlying projects. The reported revenue from these comprehensive property consultancy and agency projects for the year ended 31 December 2007 was approximately RMB97.7 million, resulting in an approximately 99.8% of the total turnover of the Group.

As at 31 December 2007, the Group had 34 comprehensive property consultancy and agency projects on hand with a total of approximately 2.7 million square metres of unsold gross floor areas. Among these 34 projects, the sales of the underlying properties of 9 projects have not yet commenced as at 31 December 2007.

FUTURE PROSPECTS

Looking forward to the year 2008, the property market is expected to be volatile. As indicated in the closing address of the 11th China National People's Congress in March 2008, tighter macroeconomic policies are anticipated to be released so as to combat spiraling inflation. Besides, under the globalization perspective, the subprime mortgage crisis and other related risks in the United States ("the US") are hampering the US as well as the global economies. Being one of the US major export countries, the economy in China might inevitably be affected.

Nevertheless, China is still in her economic development stage, with continued housing demand by new families and foreigners rising in line with the economic growth in the long run. The appreciation of Renminbi is anticipated and hence investment monies will be flowed into the property market even with the increased restrictions on property purchase by foreigners. Upward momentum in personal consumption and investment activities will bring forth the overall growth in the property market.

Under the forthcoming dubious property market situation, our management strongly believe more property developers will seek professional advice and diversify their risks by boarding their investments in inner parts or other second and third tier cities in China with our property agency service. The Group will explore more business opportunities, and increase the number of new projects in the primary property market.

A number of sizeable second-hand property agency companies were closed down in some of the coastal developed economic areas during 2007, mainly caused by the misappropriation of funds for over-expansion or the transaction volumes being curtailed under the sluggish market force. However, by reference to the history of some developed cities and countries, the second-hand property market in China remains high potential to develop. With the above positive factor, our Group proposes to introduce second-hand operations and aims to capture more revenue in China with our public reputation and build up the Group's brand image.

Last but not least, the Group will put equal efforts on both property market consultancy services and real-estate related services, such as commercial property management services, leasing services, property advisory services and agency services in property investment, which will enable us to broaden our customer bases, bringing in more contributions to the Group.

LIQUIDITY AND FINANCIAL RESOURCES

In 2007, the Group's source of funds was mainly from cash generated from operation.

As at 31 December 2007, the Group had net current assets of approximately RMB150.8 million, total assets of approximately RMB176.9 million and shareholders' funds of approximately RMB156.5 million.

As at 31 December 2007, the cash and cash equivalents of the Group stood at approximately RMB73.0 million.

BANK BORROWINGS AND OVERDRAFT

The Group had no bank borrowings or overdraft as at 31 December 2007 (2006: Nil).

On 3 February 2007, one of the subsidiaries of the Company entered into a loan agreement with a bank in Shanghai in respect of a RMB15,000,000 standby loan facility. The loan facility was secured by a fixed deposit of RMB15,000,000 of the Company. The loan facility has not been utilised and duly expired in January 2008.

FOREIGN EXCHANGE RISKS

As the Group's sales are predominantly in Renminbi and the purchases and expenses are either in Renminbi or Hong Kong dollars, the currency fluctuation risk is considered insignificant. The Group currently does not have a foreign currency hedging policy. However, the management continuously monitors foreign exchange risk exposure and will consider to hedge significant currency risk exposure should the need arise.

STAFF

As at 31 December 2007, the Group had a total of 295 staff (2006: 229 staff), whose remuneration and benefits are determined based on market rates, state policies and individual performance.

INVESTMENT

For the year ended 31 December 2007, apart from investment properties held by the Group as set out in the section headed "Summary of Major Properties" of this report, no other significant investment has been made by the Group.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in note 31 to the financial statements.

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 31 December 2007 (2006: Nil).

Corporate Governance Report

The Company recognises the importance of good corporate governance to its healthy growth, thus has devoted much efforts into formulating the best corporate governance practices that meet its business needs.

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to the Rules ("Listing Rules") Governing the Listing of Securities on the Stock Exchange. The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. The Directors consider that since the listing of the shares of the Company on the main board of the Stock Exchange on 5 July 2006, the Company has complied with the CG Code, save for deviation from code provision A.2.1 of the CG Code.

Pursuant to code provision A.2.1 of the CG Code, the responsibilities between the chairman and chief executive officer ("CEO") should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and CEO and Mr. Chiang Chen Feng currently performs these two roles. The Board believes that vesting the roles of both chairman and CEO in the same person has the benefit of ensuring consistent leadership with 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 this structure will enable the Company to make and implement decisions promptly and efficiently.

BOARD OF DIRECTORS

The Group is led by and controlled through the Board, which is constituted by a combination 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, Mr. Cui Shi Wei. Mr. Chiang Chen Feng is the Chairman of the Board.

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, supervising and scrutinizing the performance of management while the senior management are responsible for the supervision and the execution of the plans of the Group.

The non-executive Director and 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 each commencing from the day next after the expiring of the then current term of appointment, and until terminated by not less than 3 months' notice in writing served by either the Company or the respective Director. The non-executive Director and independent non-executive Directors are also subject to rotation at annual general meetings pursuant to the articles of association of the Company. 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. The Company considers all the independent non-executive Directors to be independent.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules. After specific enquiry made by the Company, all Directors confirmed that they have fully complied with the required standards set out in the Model Code during the year ended 31 December 2007.

The emolument payable to Directors is determined by the Board and recommendations given by the remuneration committee of the Company with reference to the Directors' duties and responsibilities.

Save as the spouse relationship between Mr. Chiang Chen Feng and Ms. Chang Hsiu Hua, the executive Directors, there is no 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.

BOARD MEETINGS

It is intended that the Board should meet regularly for at least four times a year, i.e. at approximately quarterly intervals. Special meetings of the Board will be convened if the situation requires so. For the year ended 31 December 2007, the Board convened a total of 5 Board meetings (exclusive of meetings of Board committees constituted by the Board) and the individual attendance record of the Directors is tabulated as follows:

Name	Number of meeting held during the year	Number of meeting attended
Executive Directors		
Mr. Chiang Chen Feng	5	5
Ms. Chang Hsiu Hua	5	5
Mr. Han Lin	5	4
Non-executive Director		
Ms. Lin Chien Ju	5	4
Independent non-executive Directors		
Dr. Cheng Chi Pang	5	5
Mr. Ng Wai Hung	5	3
Mr. Cui Shi Wei	5	4

EXECUTIVE COMMITTEE

The Company has established an executive committee (the "Executive Committee") with written terms of reference in 12 January 2007. It consists of all executive Directors, namely, Mr. Chiang Chen Feng, Chang Hsiu Hua and Mr. Han Lin. The Executive Committee is responsible for reviewing and approving, inter alia, any matters concerning the day-to-day management, business and operation affairs of the Company, and any matters to be delegated to it by the Board from time to time.

The Executive Committee convened five meetings since 1 January 2007 up to 31 December 2007. The individual attendance record of each member of the Executive Committee is tabulated as follows.

Members of the Executive Committee

Name of Director	Number of meeting held during the year	Number of meeting attended
Mr. Chiang Chen Feng	5	5
Ms. Chang Hsiu Hua	5	5
Mr. Han Lin	5	5

COMMITTEES OF THE BOARD

The Board has established the Nomination Committee, the Audit Committee and the Remuneration Committee for overseeing particular aspects of the Company's affairs.

NOMINATION OF DIRECTORS

The Company has set up a nomination committee (the "Nomination Committee") during the year under review. The Nomination Committee 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. In considering the nomination of new Directors, the Nomination Committee will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. For the year ended 31 December 2007, the Nomination Committee has not convened any meeting concerning the nomination of Directors and had not adopted any procedure and process in relation to nomination of Directors. No nomination of new Directors took place during the year ended 31 December 2007.

AUDIT COMMITTEE AND ACCOUNTABILITY

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 enable it to prepare the accounts and to make the above assessments.

The Company has established an audit committee (the "Audit Committee") of the Company with written terms of reference adopted by reference to the code provisions of the CG Code on 10 June 2006. 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 oversees the overall financial reporting process as well as the adequacy and effectiveness of the Company's internal control procedures. It is responsible for making recommendations to the Board for the appointment, reappointment or removal of the external auditor and also reviews and monitors the external auditor's independence and objectivity as well as the effectiveness of the audit process to make sure that it is in full compliance with applicable standards. Since the establishment of the Audit Committee, the Audit Committee met with the external auditors to review and approve the audit plans and also reviewed the Group's results for the year ended 31 December 2007 and the audit findings with the attendance of the external auditors and executive Directors.

The Audit Committee convened three meetings since 1 January 2007 up to 31 December 2007. The individual attendance record of each member of the Audit Committee is tabulated as follows:

Members of the Audit Committee

Name of Director	Number of meeting held during the year	Number of meeting attended
Dr. Cheng Chi Pang	3	3
Mr. Ng Wai Hung	3	1
Mr. Cui Shi Wei	3	2

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") with written terms of reference adopted by reference to the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules on 10 June 2006. 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 Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management. A meeting had been convened by the Remuneration Committee since 1 January 2007 and up to 31 December 2007, which was attended by all members of the Remuneration Committee. During the year under review, the Remuneration Committee had reviewed remuneration policy and packages of the Directors and senior management or performed any of its other prescribed functions yet.

AUDITORS' REMUNERATION

During the year, the audit fees payable/paid to Baker Tilly Hong Kong Limited and Shanghai Zongqui Wanxin Certified Public Accountants Co. Ltd.(上海中勤萬信會計師事務所有限公司), the auditors of the Group and of the subsidiaries of the Company in PRC respectively, were made up of HK$750,000 and RMB66,000 respectively.

DIRECTORS' AND AUDITOR'S ACKNOWLEDGEMENT

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

The external auditors of the Company acknowledge their reporting responsibilities in the independent auditor's report on the financial statements for the year under review.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to facilitate effective and efficient operations, to safeguard assets, to prevent and detect fraud and error, and to ensure the quality and timely preparation of internal and external reporting and compliance with applicable laws and regulations.

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

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

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

INVESTOR RELATIONS AND SHAREHOLDERS' COMMUNICATIONS

The Company enhances investor relations and communications by setting up meetings with the investment community. The Company also responds to requests for information and queries from the investment community through the attendance by the executive Directors and designated senior management. The Board is committed to providing clear and full information of the Company to shareholders through despatching the Group's interim and annual reports, circulars, notices, financial reports 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 at least 21 days before the meeting and such notice is also published on both the Stock Exchange's website (http://www.hkex.com.hk) and the Investor Relations Section of our Company's website (http://www.fortune-sun.com). The chairman and Directors will answer questions on the Company's business at the meeting. External auditors will also attend the annual general meeting.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are provided for in the Article 72 of the Articles of Association . Details of such rights and procedures are included in the relevant circulars to shareholders and will be explained during the proceedings of meetings where appropriate. At the commencement of the shareholders' meetings, the chairman will ensure that the detailed procedures for conducting a poll will be explained.

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

Directors' Report

The directors ("Directors") of Fortune Sun (China) Holdings Limited (the "Company") present their report and the audited financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2007.

CORPORATE REORGANISATION

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. Pursuant to the Group's reorganisation (the "Reorganisation") to rationalise the structure of the Group in preparation for the listing (the "Listing") of the Company's shares on the main board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), the Company became the holding company of the Group on 10 June 2006. Details of the Reorganisation are set out in Appendix V to the Company's prospectus dated 23 June 2006 (the "Prospectus").

The shares of the Company were listed on the main board of the Stock Exchange on 5 July 2006 ("Listing Date").

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 21 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 31 of this report.

On 22 April 2008, the Directors resolved to recommend to the shareholders of the Company a declaration of a final dividend of HK$2.50 cents per share, totalling approximately HK$5,000,000 (equivalent to approximately RMB4,682,000), for the year ended 31 December 2007. The final dividend is subject to approval by the shareholders of the Company at the forthcoming annual general meeting ("2007 Annual General Meeting") of the Company. The final dividend will be payable in August 2008 to shareholders of the Company whose names appear on the register of members of the Company on 20 June 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 18 June 2008 to Friday, 20 June 2008 (both days inclusive) during which period no transfer of shares will be registered.

In order to qualify for the proposed final dividend and attending and voting at the 2007 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4.30 p.m. on (Tuesday) 17 June 2008.

INVESTMENT PROPERTIES AND PREPAID PREMIUM OF LAND LEASES

Details of the investment properties and prepaid premium of land leases of the Group are set out in notes 18 and 19 to the consolidated financial statements as well as the section headed "Summary of Major Properties" of this report.

FIXED ASSETS

Details of movements of the fixed assets of the Company and of the Group during the year are set out in note 16 to the consolidated financial statements.

SUBSEQUENT EVENTS

Details of the subsequent events of the Group are set out in note 34 to the consolidated financial statements.

SHARE CAPITAL

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

RESERVES

Details of movements in reserves of the Company and the Group are set out in note 28 to the consolidated financial statements and the Consolidated Statement of Changes in Equity respectively.

DISTRIBUTABLE RESERVES

Under section 34 of the Companies Law (Revised) of the Cayman Islands, the share premium is available for distribution to shareholders subject to the provisions of the articles of association of the Company, 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 2007, the Directors consider the Company's reserves available for distribution amounted to approximately RMB32,422,000.

DIRECTORS

The Directors during the year and up to the date of this report were:

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. Ng Wai Hung
Mr. Cui Shi Wei

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 general meeting of the Company. Any Director who retires under this article shall then be eligible for re-election as Director. Ms. Chang Hsiu Hua, Mr. Han Lin and Mr. Cui Shi Wei will retire as Director and, being eligible, offer themselves for re-election as Director at the 2007 Annual General Meeting.

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 service contract 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 subject to retirement by rotation and re-election at annual general meetings of the Company and until terminated by not less than 3 months' notice in writing served by either the Company or the respective Director.

Save as disclosed above, none of the Directors proposed for re-election at the 2007 Annual General Meeting 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).

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the successful issue of new shares ("New Issue") of the Company at its listing on the main board of the Stock Exchange on the Listing Date amounted to approximately HK$44.7 million (equivalent to approximately RMB45.9 million on 5 July 2006). These proceeds were applied during the year in accordance with the proposed applications as set out in the Prospectus as follows:

Proposed usage	**Net proceeds** *RMB*	**Utilised Amount** *RMB*	**Balance as at 20 December 2007** *RMB*
Expansion of market share in the PRC	28.1 million	15.1 million	13.0 million
Strengthening research capability and employee training, and upgrading of internet-linked management information system	6.4 million	0.3 million	6.1 million
Penetration into the market of unsold units of primary residential properties	4.4 million	Nil	4.4 million
Promoting corporate image and brand name	2.6 million	0.5 million	2.1 million
General working capital	4.4 million	3.0 million	1.4 million

On 20 December 2007, in order to cope with the changes in the market conditions, to capture business opportunities arising from such changes and to better utilise the cashflow of the Group, the Board resolved to change the proposed use of part of the unused net proceeds from the initial public offering (the "IPO") which was approximately amounted to RMB27 million. An aggregate amount of about RMB16 million out of the total unused amount of RMB27 million, of which RMB9 million was to be used for financing the acquisition of an office premises in Shanghai as the Group's headquarters and about RMB7 million was to be used for financing deposit payments as may be required under new primary property consultancy and agency projects in China. The proposed use of the remaining amount of about RMB11 million will remain unchanged as per usage set out in the Prospectus.

The Directors are of the view that the above change to the proposed use of proceeds from the IPO will facilitate the Group in implementing its proposed change in the business strategy and investments, which will in turn extend its business, broaden its revenue base and enhance the Group's competitiveness, and will benefit the Group in the future.

The balance of the IPO proceeds was placed with licensed banks in Shanghai, the PRC as deposits and will be applied in the future for their intended uses as set out in the Prospectus and as general working capital of the Group. As at 31 December 2007, the remaining balance amounted to RMB27 million was deposited in the authorised financial institutions in Hong Kong and the PRC and will be used in the manner as disclosed in the announcement published on the Stock Exchange's website dated 24 December 2007.

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 2007, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 ("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 of percentage shareholding
Mr. Chiang Chen Feng ("Mr. Chiang")	The Company	Interest of a controlled Corporation *(Note 2)*	67,820,850 Shares (L)	33.8681%
	The Company	Beneficial owner and interest of spouse *(Note 3)*	1,300,000 Shares (L)	0.6338% *(Note 8)*
Ms. Lin Chien Ju ("Ms. Lin")	The Company	Interest of a controlled Corporation *(Note 4)*	36,352,050 Shares (L)	18.1533%
Mr. Han Lin ("Mr. Han ")	The Company	Beneficial owner	7,051,801 Shares (L)	3.5215%
		Beneficial owner *(Note 5)*	750,000 Shares (L)	0.3657% *(Note 8)*
Ms. Chang Hsiu Hua ("Ms Chang")	The Company	Interest of spouse *(Note 6)*	67,820,850 Shares (L)	33.8681%
	The Company	Beneficial owner and interest of spouse *(Note 7)*	1,300,000 Shares (L)	0.6338% *(Note 8)*

Notes:

1. The letter "L" denotes the Directors' long position in the Shares and/or the relevant associated corporation.

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 is 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 1,300,000 Shares comprised the 750,000 options and 550,000 options granted to him and his wife, Ms. Chang, respectively by the Company under the Pre-IPO Share Option Scheme. Mr. Chiang was regarded as interested in all the options in which Ms. Chang was interested by virtue of the Model Code.

4. These Shares were registered in the name of Upwell Assets Corporation ("Upwell Assets"), the entire issued capital of which was owned by Ms. Lin. Ms. Lin is 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 Mr. Han in these 750,000 Shares comprised the 750,000 options granted to him by the Company under the Pre-IPO Share Option Scheme.

6. 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 Model Code.

7. The long position of Ms. Chang in these 1,300,000 Shares comprised the 550,000 options and 750,000 options granted to her and her husband, Mr. Chiang, respectively by the Company under the Pre-IPO Share Option Scheme. Ms. Chang was regarded as interested in all the options in which Mr. Chiang was interested by virtue of the Model Code.

8. These percentages are calculated on the basis of 205,100,000 Shares in issue as at 31 December 2007, assuming that all the then outstanding options granted under the Pre-IPO Share Option Scheme had been exercised as at that date.

Save as disclosed above, as at 31 December 2007, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and 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 IN SHARES

As at 31 December 2007, the interest or short position of the person (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 or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Name	**Capacity**	**Number of shares held** *(Note 1)*	**Approximate of percentage shareholding**
Active Star	Beneficial owner *(Note 2)*	67,820,850 Shares (L)	33.8681%
Upwell Assets	Beneficial owner *(Note 3)*	36,352,050 Shares (L)	18.1533%
Honorway Nominees Limited	Beneficial owner *(Note 4)*	16,248,300 Shares (L)	8.1140%
Mr. Ho Hau Chong, Norman	Interest of a controlled corporation *(Note 4)*	16,248,300 Shares (L)	8.1140%
Ms. Yvette Therese Ma	Interest of spouse *(Note 5)*	16,248,300 Shares (L)	8.1140%
Mr. Ho Hau Hay, Hamilton	Interest of a controlled Corporation *(Note 4)*	16,248,300 Shares (L)	8.1140%
Ms. Sharon Young	Interest of spouse *(Note 6)*	16,248,300 Shares (L)	8.1140%
Honorway Investments Limited	Interest of a controlled Corporation *(Note 4)*	16,248,300 Shares (L)	8.1140%
Forever Sky Group Limited	Beneficial owner	7,220,000 Shares (L)	3.6055%
Ms. Hsieh Hsiu-Mei	Beneficial owner and Interest in a controlled corporation *(Note 7)*	11,936,000 Shares (L)	5.9605%
Mr. Chu Yao-Jen	Interest of spouse *(Note 8)*	11,936,000 Shares (L)	5.9605%
Mrs. Chen Hsu Li-Mei	Beneficial owner	11,122,000 Shares (L)	5.5541%

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 is 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 owned by Ms. Lin. Ms. Lin was deemed to be interested in all the Shares in which Upwell Assets is interested by virtue of the SFO.

4. These Shares were registered in the name of Honorway Nominees Limited 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 Limited is interested by virtue of the SFO.

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

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

7. These Shares were registered in the name of Forever Sky Group Limited, which was controlled by Ms. Hsieh Hsiu-Mei. Ms. Hsieh Hsiu-Mei was deemed to be interested in all the Shares in which Forever Sky Group Limited is interested by virtue of the SFO.

8. Mr. Chu Yao-Jen is the husband of Ms. Hsieh Hsiu-Mei and he was deemed to be interested in all the Shares in which Ms. Hsieh Hsiu-Mei is interested by virtue of the SFO.

Save as disclosed above, as at 31 December 2007, no person, other than the Directors and chief executive of the Company whose interests are set out in the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, had an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEMES

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.

In addition, the Share Option Scheme was also adopted pursuant to the written resolutions passed by all shareholders of the Company on 10 June 2006. The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

Eligible participants of the Share Option Scheme include, among others, the Group's directors, including independent non-executive Directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, persons that provide research, development or other technological support to the Group, the Group's shareholders and the advisers or consultants of the Group. The Share Option Scheme will remain in force for a period of 10 years commencing from 10 June 2006.

Details of the movements in the Company's share options (including those granted under the Pre-IPO Share Option Scheme on 10 June 2006) during the year ended 31 December 2007 were as follows:

				Number of Shares subject to options		
Name/ category of participant	**Date of grant**	**Exercise price** *HK$*	**Exercise period**	**granted as at 1 January 2007**	**lapsed/ exercised during the year**	**outstanding as at 31 December 2007**
The Directors						
Mr. Chiang Chen Feng	10 June 2006	0.795	5 July 2007- 4 July 2016	750,000	–	750,000
Mr. Han Lin	10 June 2006	0.795	5 July 2007- 4 July 2016	750,000	–	750,000
Ms. Chang Hsiu Hua	10 June 2006	0.795	5 July 2007- 4 July 2016	550,000	–	550,000
Others						
Certain employees of the Group	10 June 2006	0.795	5 July 2007- 4 July 2016	3,500,000	(700,000)	2,800,000
Total				5,550,000	(700,000)	4,850,000

For the year ended 31 December 2007, 250,000 options had been exercised and 450,000 options had been lapsed during the year but no additional options had been granted under the Pre-IPO Share Option Scheme.

The maximum number of unexercised options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 30% of the Shares in issue at any time. The maximum number of Shares issuable under the options 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 of 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 subject to the provisions for early termination thereof. There is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

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

For the year ended 31 December 2007, no option had been granted under the Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the paragraph headed "Share Option Schemes" above, at no time during the year were there rights to acquire benefits by means of the acquisition of Shares in or debenture of the Company granted to any Directors or their respective spouse or minor children (natural or adopted), or were such rights exercised by them, or 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.

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 of the Company.

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

The Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the year ended 31 December 2007.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly subsisted at the year-end or at any time during the year.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the section headed "Corporate Governance Report" on pages 12 to 16 of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's 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 of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover attributable to the Group's largest customer and five largest customers accounted for approximately 20% and 59% 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 22% and 48% of the Group's total purchases of the year respectively. None of the Directors or any of their associates (as defined under the Listing Rules) or any shareholder (which, to the best knowledge of the Directors, owned more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers or five largest suppliers.

PUBLIC FLOAT

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

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2007 were audited by Baker Tilly Hong Kong Limited who will retire and, being eligible, offer themselves for re-appointment. A resolution will be submitted to the forthcoming 2007 Annual General Meeting to re-appoint them as auditors of the Company.

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

Mr. Chiang Chen Feng
Chairman

Hong Kong, 22 April 2008

Independent Auditor's Report

BAKER TILLY
HONG KONG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
香港天華會計師事務所有限公司
12/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong
香港干諾道中168-200號信德中心招商局大廈12樓

Independent auditor's report to the shareholders of Fortune Sun (China) Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Fortune Sun (China) Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 82, which comprise the consolidated and Company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Baker Tilly Hong Kong Limited
Certified Public Accountants

Hong Kong, 22 April 2008

Lo Wing See
Practising Certificate Number P04607

Consolidated Income Statement

For the year ended 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
Turnover	7	**97,942**	74,824
Business tax and other levies	10(b)	**(4,796)**	(3,930)
Cost of services		**(45,215)**	(29,402)
Gross profit		**47,931**	41,492
Other revenue	8	**2,318**	1,688
Operating and administrative expenses		**(21,831)**	(20,157)
Share of profit of an associate		**—**	398
Profit before income tax	9	**28,418**	23,421
Income tax	10(a)	**(6,761)**	(4,364)
Profit for the year		**21,657**	19,057
Profit attributable to:			
Equity shareholders of the Company	11	**22,646**	19,199
Minority interests		**(989)**	(142)
Profit for the year		**21,657**	19,057
Dividends attributable to the previous financial year, approved during the year	12	**4,747**	10,000
Dividends declared after the balance sheet date	12	**4,682**	4,747
Earnings per share	13		
— Basic (RMB: cents)		**11.32**	11.00
— Diluted (RMB: cents)		**11.27**	11.00

The notes on pages 38 to 82 form an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
Non-current assets			
Fixed assets	16	**1,596**	2,303
Goodwill	17	**—**	190
Investment properties and deposits for investment properties	18	**5,032**	4,862
Prepaid premium for land leases	19	**4,950**	4,315
Golf club membership	22	**291**	291
		11,869	11,961
Current assets			
Trade receivables	23	**42,307**	49,851
Trade deposits	24	**38,341**	28,858
Prepayments and other deposits		**7,015**	5,968
Other receivables		**4,356**	2,116
Cash and cash equivalents	25	**73,009**	67,209
		165,028	154,002
Current liabilities			
Accrued expenses and other payables		**9,882**	18,729
Tax payables		**4,368**	1,831
		14,250	20,560
Net current assets		**150,778**	133,442
Total assets less current liabilities		**162,647**	145,403
Non-current liabilities			
Deferred tax liabilities	20(b)	**6,059**	5,453
NET ASSETS		**156,588**	139,950

Consolidated Balance Sheet (Continued)

As at 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
CAPITAL AND RESERVES			
Share capital	26	**20,624**	20,600
Reserves	28(a)	**135,892**	118,289
Total equity attributable to equity shareholders of the Company		**156,516**	138,889
Minority interests		**72**	1,061
TOTAL EQUITY		**156,588**	139,950

Approved and authorised for issue by the Board of Directors on 22 April 2008.

On behalf of the Board of Directors

Chang Hsiu Hua
Director

Han Lin
Director

The notes on pages 38 to 82 form an integral part of these financial statements.

Balance Sheet

As at 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
Non-current assets			
Fixed assets	16	**169**	393
Interests in subsidiaries	21	**497**	497
		666	890
Current assets			
Prepayments and other deposits		**159**	196
Amounts due from subsidiaries	21	**57,165**	50,631
Cash and cash equivalents	25	**2,063**	22,530
		59,387	73,357
Current liabilities			
Accrued expenses and other payables		**908**	973
Amount due to a subsidiary	21	**6,099**	6,630
		7,007	7,603
Net current assets		**52,380**	65,754
NET ASSETS		**53,046**	66,644
SHARE CAPITAL AND RESERVES			
Share capital	26	**20,624**	20,600
Reserves	28(b)	**32,422**	46,044
TOTAL EQUITY		**53,046**	66,644

Approved and authorised for issue by the Board of Directors on 22 April 2008.

On behalf of the Board of Directors

Chang Hsiu Hua
Director

Han Lin
Director

The notes on pages 38 to 82 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Reserve fund RMB'000	Employee share-based compensation reserve RMB'000	Convertible bond reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
Balance as at 1 January 2006	828	10,453	3,376	11,238	—	617	—	33,560	60,072	—	60,072
Reorganisation	(828)	—	828	—	—	—	—	—	—	—	—
Issue of shares and credited as fully paid (Note 26(a))	103	(103)	—	—	—	—	—	—	—	—	—
Issue of shares of the Company to acquire Millstone and share capital fully paid (Note 26(c))	103	(10,453)	10,350	—	—	—	—	—	—	—	—
Conversion of the bond (Note 26(d))	37	27,280	—	—	—	(617)	—	—	26,700	—	26,700
Capitalisation issue (Note 26(e))	15,207	(15,207)	—	—	—	—	—	—	—	—	—
Initial public offering (Note 26(f))	5,150	49,440	—	—	—	—	—	—	54,590	—	54,590
Share issuance expense	—	(12,029)	—	—	—	—	—	—	(12,029)	—	(12,029)
Employee share option benefits	—	—	—	—	1,197	—	—	—	1,197	—	1,197
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	1,203	1,203
Profit for the year	—	—	—	—	—	—	—	19,199	19,199	(142)	19,057
Appropriations	—	—	—	2,273	—	—	—	(2,273)	—	—	—
Currency translation differences	—	—	—	—	—	—	(840)	—	(840)	—	(840)
Dividends	—	—	—	—	—	—	—	(10,000)	(10,000)	—	(10,000)
Balance as at 31 December 2006 and 1 January 2007	20,600	49,381	14,554	13,511	1,197	—	(840)	40,486	138,889	1,061	139,950
Issue of shares upon exercise of share options (Note 26(g))	24	267	—	—	(97)	—	—	—	194	—	194
Employee share option benefits	—	—	—	—	950	—	—	—	950	—	950
Profit for the year	—	—	—	—	—	—	—	22,646	22,646	(989)	21,657
Appropriations	—	—	—	3,110	—	—	—	(3,110)	—	—	—
Currency translation differences	—	—	—	—	—	—	(1,416)	—	(1,416)	—	(1,416)
Dividends	—	(4,747)	—	—	—	—	—	—	(4,747)	—	(4,747)
Balance as at 31 December 2007	20,624	44,901	14,554	16,621	2,050	—	(2,256)	60,022	156,516	72	156,588

The notes on pages 38 to 82 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
Operating activities			
Profit before income tax		**28,418**	23,421
Adjustments for:			
— Depreciation of fixed assets	9	**812**	748
— Depreciation of investment properties	9	**114**	95
— Amortisation of prepaid premium for land leases	9	**102**	83
— Loss on disposals of fixed assets	9	**33**	29
— Loss on disposals of investment properties (including land premium)	9	**25**	—
— Impairment loss on goodwill	17	**190**	—
— Write back of provision for impairment of trade deposits	8	**(1,189)**	(943)
— Provision for impairment of trade receivables	23(b)	**254**	1,195
— (Write back)/provision for impairment of other receivables	8, 9	**(183)**	227
— Amortisation of discounts on the convertible bond	9	**—**	755
— Share of profit of an associate		**—**	(398)
— Employee share option benefits		**950**	1,197
— Exchange realignment		**(1,362)**	(840)
— Interest income	8	**(703)**	(745)
Operating profit before changes in working capital		**27,461**	24,824
Decrease/(increase) in trade receivables		**7,290**	(21,050)
Increase in trade deposits		**(8,294)**	(11,738)
Increase in prepayments and other deposits		**(1,047)**	(4,925)
Increase in other receivables		**(2,057)**	(1,128)
Decrease in deferred expenses		**—**	180
(Decrease)/increase in accrued expenses and other payables		**(8,847)**	12,436
Cash generated from/(used in) operations		**14,506**	(1,401)
Interest received		**703**	745
PRC enterprise income tax paid, net		**(3,618)**	(3,689)
Net cash generated from/(used in) operating activities		**11,591**	(4,345)

Consolidated Cash Flow Statement (Continued)

For the year ended 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
Investing activities			
Purchases of fixed assets		**(213)**	(1,582)
Purchases of investment properties (including land premium)		**(1,446)**	—
Deposits made for investment properties		**—**	(132)
Sale proceeds from disposal of fixed assets		**28**	148
Sale proceeds from disposal of investment properties (including land premium)		**400**	—
Acquisition of subsidiaries	30	**—**	2,776
Net cash (used in)/ generated from investing activities		**(1,231)**	1,210
Financing activities			
Proceeds from issuing shares		**—**	54,590
Proceeds from shares issued under Pre-IPO Share Option Scheme	27	**187**	—
Share issuance costs		**—**	(8,648)
Dividends paid	12	**(4,747)**	(10,000)
Net cash (used in)/generated from financing activities		**(4,560)**	35,942
Net increase in cash and cash equivalents		**5,800**	32,807
Cash and cash equivalents at 1 January		**67,209**	34,402
Cash and cash equivalents at 31 December	25	**73,009**	67,209

The notes on pages 38 to 82 form an integral part of these financial statements.

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 registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman KY1-1111, Cayman Islands, British West Indies. The principal place of business in Hong Kong is located at Suite 1702, 17th Floor, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong and the head office is located at Units 01-08, Level 31, China Insurance Building, No.166 Lujiazui East Road, Pudong Xin District, Shanghai 200120, the People's Republic of China (the "PRC").

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in providing property consultancy and agency services for the primary property market in the PRC. The principal activities of its subsidiaries are set out in note 21.

The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the Company.

2 GROUP REORGANISATION

Following the Group's reorganisation (the "Reorganisation") implemented on 10 June 2006 to rationalise the structure of the Group in preparation for the listing (the "Listing"), the Company's shares have been listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 July 2006 (the "Listing Date") and the Company became the holding company of the Group after the Reorganisation. Details of the Reorganisation are set out in the Company's prospectus (the "Prospectus") dated 23 June 2006.

3 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment is required.

(a) HKAS 1 (Amendment) — Capital Disclosures

In accordance with the HKAS 1 (Amendment) — Capital Disclosures, the Group now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change are detailed in note 29.

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

(b) HKFRS 7 — Financial Instruments: Disclosures

HKFRS 7 — Financial Instrument: Disclosures, is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends the disclosure requirements previously set out in HKAS 32 Financial Instruments: Presentation and Disclosures, and has been adopted by the Group in its consolidated financial statements for the year ended 31 December 2007. All disclosures relating to financial instruments including the comparative information have been updated to the extent as practicable to reflect the new requirements. In particular, the Group's consolidated financial statements which feature:

— a sensitive analysis explained the Group's market risk exposure in regard to its financial instruments, and

— a maturity analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet date. The first-time application of HKFRS 7, however, has not resulted in any prior-period adjustments on cash flows, net income or balance sheet items.

(c) New and revised HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) — Int 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC) — Int 12	Service Concession Arrangements[4]
HK(IFRIC) — Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) — Int 14	HKAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 March 2007
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 2008

The directors are currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's consolidated financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Rules Governing the Listing Securities on the Stock Exchange and the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Company is set below. These policies have been consistently applied to all the years presented unless otherwise stated.

The consolidated financial statements have been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below.

Accounting estimates and assumptions are used by management in preparation of these financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these financial statements, are disclosed in note 6.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December.

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently exercisable are taken into account.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries and minority interests *(Continued)*

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus cost directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (Note 4(d)). If the cost of acquisition is less than the fair value of the net assets of the subsidiaries acquired, the difference is recognised directly in the income statement.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(d) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Translation of foreign currencies

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 RMB which is the Group's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate ruling at the balance sheet date;

(ii) income and expenses for each income statement are translated at the average exchange rates. Where this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, the relevant income and expenses are translated at the transaction dates; and

(iii) all resulting exchange differences are recognised as a separate component of equity.

(f) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Fixed assets are depreciated at rates calculated to write down their costs, less accumulated impairment losses, to the estimated residual value over their estimated useful lives on the straight-line basis. Estimated useful lives of fixed assets used for this purpose are as follows:

Description	**Useful life**
Furniture and fixtures	3 to 5 years
Computers	3 to 5 years
Motor vehicles	5 years
Leasehold improvements	Over the unexpired period of the lease

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Fixed assets *(Continued)*

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. The carrying amount of the replaced part is eliminated. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the income statement.

The gain or loss arising from the retirement or disposal of fixed assets is determined as the difference between the net disposal proceeds and the carrying amount of the relevant asset and is recognised in the income statement on the date of retirement or disposal.

(g) Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business.

Investment properties comprise land held under operating leases and buildings held under finance leases. Land held under operating leases is accounted for as investment property when the rest of definition of investment properties is met. The operating lease is accounted for as it is a finance lease. The prepaid premium for land leases is amortised on the straight-line basis over the remaining term of lease.

Investment properties are stated at cost, less accumulated depreciation and any provisions for impairment losses required to reflect recoverable amounts.

Depreciation is calculated to write off the cost of investment properties over their estimated useful lives, on the straight-line basis, for 40 years after taking into account a residual value of 10%.

Gains or losses arising from the retirement or disposal of the property are determined as difference between the sales proceeds and the carrying amount of the property and are recognised in the income statement.

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Golf club membership

Golf club membership is stated at cost less accumulated impairment losses, if any. No depreciation is charged as the membership is permanent in nature.

(i) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less provision for impairment losses (see note 4(q)(i)), except where the receivables are interest free loans made to related parties without any fixed repayment terms, or where the effect of discounting would not be material. In such cases, the receivables are stated at cost less provision for impairment losses (see note 4(q)(i)).

(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.

As the deposits can be forfeited if the Group fails to achieve the prescribed terms in some underlying agency contracts, a provision of 11% (2006: 18%) of the trade deposit under each individual agency contract is made when the deposit is paid. This provision is determined based on the present value of the estimated future cash flows and will be released when the Group is compliant with the prescribed terms in the agency contract and the deposit becomes refundable unconditionally.

At each balance sheet date, an assessment of the performance of each property service assignment will be made. A specific provision 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.

(k) Cash and cash equivalents

Cash and cash equivalents are carried at the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and cash investments with a maturity of three months or less from date of investment.

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Revenue recognition

Provided it is probable that economic benefits associated with a transaction will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised on the following bases:

(i) Service income

Service income is recognised when all services stipulated in the contracts are rendered to customers. For those comprehensive property consultancy and sales agency service projects, service income is generally recognised when

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

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

(3) the billing summary for the service fee have been acknowledged by the property developer.

For property consultancy service projects, service income is recognised when the services rendered by the Group reach the relevant stages as specified in the contracts upon and the property developers have an obligation to pay for the services. The relevant stages as stipulated in the contracts include the following:

(1) 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;

(2) 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

(3) 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.

(ii) Interest income

Interest income is recognised on a time apportionment basis taking into account the principal amounts and interest rates applicable using the effective interest method.

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are generally recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred taxation is provided in full, using liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

(iv) Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets also arise from unused tax losses and unused tax credits.

(v) Deferred taxation is provided on temporary differences arising on interests in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

(n) Operating leases

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Employee benefits

(i) Defined contribution retirement plan obligations

The Group participates in employee social security plans of the PRC, including defined contribution pension, medical, housing and other welfare benefits, organised by the government authorities in accordance with relevant regulations.

According to the relevant regulations, premium and welfare benefit contributions are remitted to the social welfare authorities on a monthly basis and are calculated based on percentages of the total salary of employees, subject to a certain ceiling. Contributions to the plans are charged to the income statement as incurred.

The Group also operates the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

(ii) Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Certain employees, including directors, of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The fair value of share options granted to certain employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where these employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Employee benefits *(Continued)*

(ii) Share-based payments *(Continued)*

During the vesting period, the number of share options that are expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to income statement for the year of review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest, with a corresponding adjustment to the capital reserve, except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised, when it is transferred to the share premium account, or the option expires, when it is released directly to retained earnings.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, and 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 of economic benefits is remote. Possible obligations, whose existence will only be confirmed by occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow economic benefits is remote.

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Impairment of assets

(i) Impairment of trade and other receivables

For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, being the effective interest rate computed at initial recognition of these assets, where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— fixed assets;
— investment properties;
— prepaid premium of land leases;
— interests in subsidiaries; and
— goodwill.

If any such indications exist, the asset's recoverable amount is estimated. In addition, for goodwill that has indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— ***Calculation of recoverable amount***

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently, denominated as a cash-generating unit.

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Impairment of assets *(Continued)*

(ii) Impairment of other assets *(Continued)*

— ***Recognition of impairment losses***

An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, or group of units, and then, to reduce the carrying amount of the other assets in the unit, or group of units, on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— ***Reversals of impairment losses***

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amounts that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(r) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operation decision, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be members of key management personnel, significant shareholders and/or their close family members, or other parties and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans exist which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial risk factors

The Group's activities expose itself to a number of financial risks: credit risk, market risk (including currency risk, interest rate risk and other price risk) and liquidity 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 on a timely and effective manner.

The Group's risk management is co-ordinated at its headquarters, in close monitor with the management, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets.

The Group had not engaged in the trading of financial assets for speculative purposes for the year. The most significant financial risks to which the Group is exposed to are described below.

(i) Credit risk

The Group's credit risk is primary attributable to its trade receivables, trade deposits and the amount of contingencies as disclosed in note 31. The credit period granted to customers for trade receivables generally ranges from one to three months. The refund of trade deposits is in accordance with the terms of the underlying agency agreements. The carrying amounts of trade receivables and trade deposits substantially represent the Group's maximum exposure to credit risk as at 31 December 2007. In order to minimise the credit risk, management of the Group has designated 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 Group reviews the recoverable amount of each individual trade receivable and trade deposit regularly to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management consider that the Group's credit risk is significantly reduced.

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

At balance sheet date, the Group has a certain concentration of credit risk in total trade receivables and trade deposits, with 19% (2006: 27%) and 55% (2006: 63%) were due from the largest customer and five largest customers respectively.

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Financial risk factors *(Continued)*

(ii) Market risk

Currency risk

As the Group's sales and purchases are mainly denominated in RMB, the currency risk is considered not significant. During 2007, though the exchange rates of RMB to the US dollar and the Hong Kong dollar kept on increasing, the Group expects that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest bearing assets except for certain cash and cash equivalents. The Group's exposure to changes in interest rates as mainly attributable to its cash and cash equivalents which are charged at variable rates and expose the Group to cash flow interest rate risk.

As the Group has no bank borrowings or any form of interest-bearing loans during and at balance sheet date, any fluctuation in market interest rates will not have material adverse effect on the operation of the Group.

Price risk

The Group is not exposed to any equity securities risk or commodity price risk.

(iii) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the management, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Prudent liquidity risk management requires maintaining sufficient cash and ensuring the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group treasury unit aims to maintain flexibility in funding by keeping committed credit lines available.

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Financial risk factors *(Continued)*

(iii) Liquidity risk (Continued)

The table below summaries the maturity profile of the Group's financial liabilities at 31 December 2007 and 2006 based on contractual undiscounted payments.

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within one year or on demand RMB'000	More than one year but less than two years RMB'000
Accrued expenses and other payables				
At 31 December 2007	9,882	9,882	9,882	—
At 31 December 2006	18,729	18,729	18,729	—

(b) Estimation of fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2007 and 2006.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future course of business. The resulting accounting estimates will, by definition, seldom equate to the related actual results. The estimates and assumptions 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) Depreciation and useful lives of fixed assets

Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are material changes from previous estimates.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Impairment of trade and other receivables

Impairment losses on trade and other receivables are assessed and provided based on the management's regular review of ageing analysis and evaluation of their collectibility. A considerable level of judgement is exercised by the management when assessing the creditworthiness and past collection history of each individual customer. Any increase or decrease in impairment losses would affect income statement in future years.

(c) Impairment of other assets

Internal and external sources of information are reviewed by the Group at each balance sheet date to assess whether there is any indication that fixed assets, investment properties, prepaid premium of land leases and goodwill may be impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine impairment losses on the assets. Changes in facts and circumstances may affect the conclusion of whether an indication of impairment exists and result in revised estimates of recoverable amounts, which would affect income statement in future years.

(d) Income taxes

The Group is subject to income taxes in certain jurisdictions. There are transactions entered into where the ultimate tax determination and tax classification may be uncertain. Significant judgement is required in determining the provision for income taxes. The current provision for income tax of approximately RMB4,368,000 represents management's estimates of the most likely amount of tax expected to be paid to the taxation authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the provision for income tax in the period in which such determination is made.

7 TURNOVER

The Group is principally engaged in providing property consultancy and agency services for the primary property market in the PRC. Turnover during the year represents income from the following services:

	2007 **RMB'000**	2006 RMB'000
Comprehensive property consultancy and sales agency service projects	**97,722**	74,774
Pure property consultancy service projects	**220**	50
	97,942	74,824

The Group has carried on business in a single geographical segment, which is the provision of agency services for the sale of properties and property consultancy services in the PRC, and therefore no segmental information has been presented.

8 OTHER REVENUE

	2007 RMB'000	2006 RMB'000
Exchange gains	**88**	—
Interest income	**703**	745
Sundry income	**155**	—
Write back of provision for impairment of		
— Trade deposits	**1,189**	943
— Other receivables	**183**	—
	2,318	1,688

9 PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after crediting and charging the following:

	2007 RMB'000	2006 RMB'000
Crediting:		
Exchange gains	**88**	—
Interest income	**703**	745
Write back of provision for impairment of		
— Trade deposits	**1,189**	943
— Other receivables	**183**	—
Charging:		
Auditors' remuneration	**768**	789
Amortisation of discounts on the convertible bond	**—**	755
Amortisation of prepaid premium for land leases	**102**	83
Depreciation of fixed assets	**812**	748
Depreciation of investment properties	**114**	95
Directors' remuneration (Note 15(a))	**2,748**	2,477
Exchange losses	**—**	149
Impairment loss on goodwill (Note 17)	**190**	—
Loss on disposals of fixed assets	**33**	29
Loss on disposal of investment properties (including land premium)	**25**	—
Operating lease rentals in respect of buildings	**5,878**	4,064
Other staff costs		
— Wages and salaries	**8,347**	6,155
— Pension costs (defined contribution plan) and other social benefits	**1,638**	1,353
— Employee share option benefits	**557**	757
Provision for impairment of		
— Trade receivables	**254**	1,195
— Other receivables	**—**	227

10 TAXATION

(a) Income tax in the consolidated income statement

Income tax expense represents:

	2007 RMB'000	2006 RMB'000
Current income tax — PRC enterprise income tax	**6,155**	2,881
Deferred tax assets (Note 20(a))	**—**	549
Deferred tax liabilities (Note 20(b))	**606**	934
Total income tax expense	**6,761**	4,364

The Company, Millstone Developments Limited ("Millstone") and High Color Investments Limited ("High Color"), the Company's wholly-owned subsidiaries, are not subject to any income tax.

The Company's PRC operating subsidiaries, namely Shanghai Fu Yang Property Consultant Co, Ltd ("Shanghai Fortune Sun") and SinoCity Asset Management Consultancy (Shanghai) Limited ("SinoCity"), are foreign investment enterprises registered in Pudong Xin District of Shanghai, the PRC. According to the confirmations from the state and local tax authorities, both Shanghai Fortune Sun and SinoCity are currently subject to a preferential tax rate of 15% PRC enterprise income tax is calculated at the applicable rate of 15% on the estimated assessable profit of Shanghai Fortune Sun and SinoCity for the year ended 31 December 2007.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), which is effective from 1 January 2008. Under the new CIT Law, for the Group's subsidiaries originally entitling to a preferential tax rate of 15%, the tax rate gradually increases to 25% over the next five years effective on 1 January 2008.

According to the new CIT Law Article 57 and the Notice on the Implementation Rules of the Grandfathering Relief under the new CIT Law, Guofa (2007) No. 39 issued on 26 December 2007 by the State Council, the transitional treatment for the preferential tax rate of 15% under the old laws applicable to foreign investment enterprises registered in Pudong Xin District of Shanghai is 18% in 2008 and then gradually increases from 18% to 25% from 2008 to 2012.

Since the deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, the change in the applicable tax rate has affected the determination of the carrying amount of deferred income tax assets and liabilities of the Group's subsidiaries located in the PRC.

The Company's operating subsidiary namely Full Sincerity Advertising Company Limited ("Full Sincerity") in Taiwan does not have any assessable income during the year.

No Hong Kong profits tax has been provided as the Group did not derive any assessable profit from Hong Kong during the year.

10 TAXATION *(Continued)*

(a) Income tax in the consolidated income statement *(Continued)*

A reconciliation between income tax and accounting profit, at applicable tax rates is set out below:

	2007 RMB'000	2006 RMB'000
Profit before income tax	**28,418**	23,421
Notional tax on profit before income tax, calculated at tax rates applicable to profits in the countries concerned	**4,263**	3,513
Tax effect of expenses not deductible for tax purposes	**1,637**	916
Tax effect of income not taxable	**(289)**	(294)
Underprovision in respect of prior years	**96**	—
Difference in deferred tax liabilities arising from the change of tax rate in 2008	**1,010**	—
Others	**44**	229
Income tax expense	**6,761**	4,364

(b) Business tax and other levies in the consolidated income statement

Shanghai Fortune Sun and SinoCity are subject to PRC business tax and other levies at a rate of approximately 5% on turnover from the provision of property agency and consultancy services and the provision of property consultancy services respectively.

11 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB5,159,000 (2006: RMB2,463,000) which has been dealt with in the financial statements of the Company.

12 DIVIDENDS

	2007 RMB'000	2006 RMB'000
Dividends paid	**4,747**	10,000
Proposed final dividends	**4,682**	4,747
	9,429	14,747

On 22 April 2008, the directors resolved to recommend to the shareholders of the Company a declaration of a final dividend of HK$2.5 cents per share, totalling approximately HK$5,000,000 (equivalent to approximately RMB4,682,000), for the year ended 31 December 2007. The final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

Pursuant to a resolution of the annual general meeting held on 13 June 2007, the shareholders of the Company approved the proposed final dividend of HK$2.4 cents per share, totalling approximately HK$4,800,000 (equivalent to approximately RMB4,747,000) for the year ended 31 December 2006.

In May 2006, prior to the Reorganisation, the directors of Millstone declared dividends amounting to RMB10,000,000 to its then shareholders in respect of the year ended 31 December 2005, which were subsequently paid in June 2006.

13 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share was based on the consolidated profit attributable to equity shareholders of the Company for the year ended 31 December 2007 of approximately RMB22,646,000 (2006: RMB19,199,000) and the weighted average number of ordinary shares of 200,080,548 (2006: 174,520,548).

13 EARNINGS PER SHARE *(Continued)*

(b) Diluted earnings per share

The calculation of diluted earnings per share was based on the consolidated profit attributable to equity shareholders of the Company for the year ended 31 December 2007 of approximately RMB22,646,000 (2006: RMB19,199,000) and the diluted weighted average number of ordinary shares of 200,868,733 (2006: 174,520,548).

The diluted weighted average number of ordinary shares is calculated as follows:

	2007	2006
Weighted average number of ordinary shares at 31 December	**200,080,548**	174,520,548
Effect of deemed issue of shares under the Company's share option scheme	**788,185**	—
Weighted average number of ordinary shares (diluted) at 31 December	**200,868,733**	174,520,548

For the year ended 31 December 2006, the diluted earnings per share was the same as the basic earnings per share because there were no dilutive effects in respect of ordinary shares to be issued pursuant to the Pre-IPO Share Option Scheme (Note 27) until 5 July 2007.

14 RETIREMENT BENEFIT SCHEME

The Group participates in a government defined contribution pension plan in the PRC. Contributions are made based on 22% (2006: 22%) of the employees' total minimum basic salaries and are charged to the income statement as incurred.

The Group also contributes 5% (2006: 5%) of its Hong Kong employees' relevant income each month as defined in the MPF Schemes Ordinance, subject to a maximum of HK$1,000 per person or up to the amount of the voluntary contribution from the respective employee.

15 DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' remuneration

The remuneration paid and payable to each of the Company's directors for the years ended 31 December 2007 and 2006 as disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Fees RMB'000	Basic salaries and other allowances RMB'000	Pension costs — defined contribution plan RMB'000	Employee share option benefits RMB'000	Total RMB'000
2007					
Executive directors:					
Mr. Chiang Chen Feng	**—**	**805**	**—**	**144**	**949**
Ms. Chang Hsiu Hua	**—**	**557**	**—**	**105**	**662**
Mr. Han Lin	**—**	**383**	**15**	**144**	**542**
Non-executive director:					
Ms. Lin Chien Ju	**155**	**—**	**—**	**—**	**155**
Independent non-executive directors:					
Mr. Ng Wai Hung	**140**	**—**	**—**	**—**	**140**
Mr. Cui Shi Wei	**150**	**—**	**—**	**—**	**150**
Dr. Cheng Chi Pang	**150**	**—**	**—**	**—**	**150**
	595	**1,745**	**15**	**393**	**2,748**
2006					
Executive directors:					
Mr. Chiang Chen Feng	—	808	—	161	969
Ms. Chang Hsiu Hua	—	569	—	118	687
Mr. Han Lin	—	297	17	161	475
Non-executive director:					
Ms. Lin Chien Ju	67	53	—	—	120
Independent non-executive directors:					
Mr. Ng Wai Hung	72	—	—	—	72
Mr. Cui Shi Wei	77	—	—	—	77
Dr. Cheng Chi Pang	77	—	—	—	77
	293	1,727	17	440	2,477

15 DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

Two (2006: Two) of the five highest paid individuals are directors whose emoluments have been included above. Details of the emoluments paid to the remaining three (2006: three) highest paid individuals are as follows:

	2007 RMB'000	2006 RMB'000
Basic salaries and other allowances	**1,680**	1,633
Pension costs — defined contribution plan	**42**	9
Employee share option benefits	**161**	180
	1,883	1,822

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

The emoluments paid to these five individuals are within the following bands:

	Number of individuals 2007	 2006
Nil to HK$1,000,000 (equivalent to Nil to approximately RMB936,000; 2006: Nil to approximately RMB1,005,000)	**4**	5
HK$1,000,001 to approximately HK$1,500,000 (equivalent to RMB936,001 to approximately RMB1,405,000; 2006: Nil)	**1**	—

16 FIXED ASSETS

The Group

	Furniture and fixtures RMB'000	Computers RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
At 1 January 2006	460	1,335	1,128	914	3,837
Additions	126	572	504	380	1,582
Acquisition of a subsidiary	—	163	—	—	163
Disposals	(30)	(195)	—	—	(225)
At 31 December 2006 and 1 January 2007	556	1,875	1,632	1,294	5,357
Additions	11	202	—	—	213
Disposals	(31)	(76)	—	(141)	(248)
Exchange realignment	(9)	(10)	(34)	—	(53)
At 31 December 2007	527	1,991	1,598	1,153	5,269
Accumulated depreciation					
At 1 January 2006	312	636	837	554	2,339
Acquisition of a subsidiary	—	15	—	—	15
Charge for the year	56	279	259	154	748
Eliminated on disposals	(15)	(33)	—	—	(48)
At 31 December 2006 and 1 January 2007	353	897	1,096	708	3,054
Charge for the year	72	315	299	126	812
Eliminated on disposals	(24)	(65)	—	(98)	(187)
Exchange realignment	(1)	(1)	(4)	—	(6)
At 31 December 2007	400	1,146	1,391	736	3,673
Net book value					
At 31 December 2007	127	845	207	417	1,596
At 31 December 2006	203	978	536	586	2,303

16 FIXED ASSETS *(Continued)*

The Company

	Furniture and fixtures RMB'000	Computers RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost				
At 1 January 2006	—	—	—	—
Additions	110	67	293	470
At 31 December 2006 and 1 January 2007	110	67	293	470
Additions	3	9	—	12
Transfer to a subsidiary	—	(9)	—	(9)
Exchange realignment	(8)	(4)	(20)	(32)
At 31 December 2007	105	63	273	441
Accumulated depreciation				
At 1 January 2006	—	—	—	—
Charge for the year	15	7	55	77
At 31 December 2006 and 1 January 2007	15	7	55	77
Charge for the year	42	23	137	202
Eliminated on transfer	—	(1)	—	(1)
Exchange realignment	(1)	(1)	(4)	(6)
At 31 December 2007	56	28	188	272
Net book value				
At 31 December 2007	49	35	85	169
At 31 December 2006	95	60	238	393

17 GOODWILL

Goodwill represents the excess of the costs of an acquisition made in May 2006 over the fair value of SinoCity, formerly the Group's associate in which the Group had indirect equity interests of 45% as at 31 December 2005. After acquisition of the remaining equity interest in SinoCity by Shanghai Fortune Sun in May 2006, SinoCity became an indirect wholly-owned subsidiary of the Company. Details of the net assets acquired, goodwill and impairment provision arising from this acquisition were as follows:

	2007 RMB'000	2006 RMB'000
Total purchase consideration	**1,009**	1,009
Fair value of net assets acquired	**(819)**	(819)
Goodwill	**190**	190
Less: provision for impairment loss	**(190)**	—
	—	190

Goodwill is accounted for as an intangible asset and is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing which is carried out annually at the balance sheet date.

At 31 December 2007, the management of the Group reassessed the status of SinoCity since its incorporation in September 2005 and was uncertain whether future cash inflows would arise from its current status. Management of the Group considered that an impairment loss of approximately RMB190,000 should be recognised in the income statement accordingly.

18 INVESTMENT PROPERTIES AND DEPOSITS FOR INVESTMENT PROPERTIES

	Investment properties RMB'000	Deposits for investment properties RMB'000	Total RMB'000
Cost			
At 1 January 2006	899	8,324	9,223
Additions	—	132	132
Transferred from deposit	8,456	(8,456)	—
Transferred to prepaid premium for land leases (Note 19)	(4,398)	—	(4,398)
At 31 December 2006 and 1 January 2007	4,957	—	4,957
Additions	529	—	529
Disposals	(256)	—	(256)
At 31 December 2007	5,230	—	5,230
Accumulated depreciation			
At 1 January 2006	—	—	—
Charge for the year	95	—	95
At 31 December 2006 and 1 January 2007	95	—	95
Charge for the year	114	—	114
Eliminated on disposals	(11)	—	(11)
At 31 December 2007	198	—	198
Net book value			
At 31 December 2007	5,032	—	5,032
At 31 December 2006	4,862	—	4,862

All investment properties of the Group are located in the PRC.

During November 2007, the Company disposed one of its investment properties in Chongqing with a carrying value of approximately RMB425,000 including the corresponding land premium portion (Note 19) at a consideration of RMB400,000 resulting in a loss of approximately RMB25,000 on disposal.

Had investment properties been carried at their fair values, the amounts, together with the land premium portion, would be approximately RMB15,240,000 (2006: RMB11,880,000).

19 PREPAID PREMIUM FOR LAND LEASES

	Leases less than 50 years RMB'000	Leases over 50 years RMB'000	Total RMB'000
Cost			
At 1 January 2006	—	—	—
Transferred from investment properties (Note 18)	376	4,022	4,398
At 31 December 2006 and 1 January 2007	376	4,022	4,398
Additions	917	—	917
Disposals	(188)	—	(188)
At 31 December 2007	1,105	4,022	5,127
Accumulated depreciation			
At 1 January 2006	—	—	—
Charge for the year	8	75	83
At 31 December 2006 and 1 January 2007	8	75	83
Charge for the year	12	90	102
Eliminated on disposals	(8)	—	(8)
At 31 December 2007	12	165	177
Net book value			
At 31 December 2007	1,093	3,857	4,950
At 31 December 2006	368	3,947	4,315

Prepaid premium for land leases related to investment properties (Note 18) located in the PRC.

20 DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxation is calculated in full on temporary differences under the liability method using a tax rate of 18% (2006: 15%).

The movements in deferred tax assets and liabilities of the Group during the year are as follows:

(a) Deferred tax assets

	Accrued expenses and others	
	2007	2006
	RMB'000	RMB'000
At 1 January	**—**	549
Charged to income statement during the year	**—**	(549)
At 31 December	**—**	—

(b) Deferred tax liabilities

	Uninvoiced revenue	
	2007	2006
	RMB'000	RMB'000
At 1 January	**5,453**	4,519
Charged to income statement during the year	**606**	934
At 31 December	**6,059**	5,453

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current assets against current liabilities and when the deferred income taxes relate to the same fiscal authority.

21 INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	The Company 2007 RMB'000	2006 RMB'000
Unlisted shares, at cost	**497**	497
Amounts due from subsidiaries	**57,165**	50,631
Amount due to a subsidiary	**(6,099)**	(6,630)

Amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Details of the subsidiaries of the Company at 31 December 2007 are as follows:

Name of subsidiary	Place of incorporation and date of incorporation	Issued/ registered and fully paid capital	Attributable equity interests	Principal activities
Directly held:				
Millstone Developments Limited	British Virgin Islands, 29 October 2002	100,000 ordinary shares of US$1.00 each	100%	Investment holding
High Color Investments Limited	British Virgin Islands, 5 July 2006	50,000 ordinary shares of US$1.00 each	100%	Investment holding

21 INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation and date of incorporation	Issued/ registered and fully paid capital	Attributable equity interests	Principal activities
Indirectly held:				
Shanghai Fu Yang Property Consultant Co., Limited*	PRC, 11 April 1997	US$7,500,000 (2006: US$6,150,000) registered capital — Note (a)	100%	Property consultancy and agency services providing for the primary property market in the PRC
SinoCity Asset Management Consultancy (Shanghai) Limited# — Note (b)	PRC, 26 September 2005	US$200,000 registered capital	100%	Provision of property consultancy and agency services and fund management in the PRC
Full Sincerity Advertising Company Limited	Taiwan, 27 November 2006	2,000,000 ordinary shares of NT$10.00 each	75%	Property consultancy and agency services providing for the primary property market in Taiwan

* A wholly foreign-owned enterprise incorporated in the PRC

\# A sino-foreign equity joint venture incorporated in the PRC

Notes:

(a) Pursuant to the board resolution passed on 22 June 2007, Shanghai Fortune Sun's registered capital was increased from US$6,150,000 to US$7,500,000. The increased amount of US$1,350,000 was fully paid up by the Company through Millstone in September 2007.

(b) Following the board resolution held on 5 December 2007, the name of SinoCity was changed to "Cornerstone Investment Management & Consultancy Co., Limited". Change in business name was approved by the relevant PRC Authority on 17 January 2008.

22 GOLF CLUB MEMBERSHIP

Based on the information obtained from the golf club which issues the membership, the membership admission fee as at 31 December 2007 was US$180,000 (2006: US$170,000). No impairment provision was required.

23 TRADE RECEIVABLES

	2007 RMB'000	2006 RMB'000
Trade receivables	**44,296**	51,586
Less: provision for impairment (Note 23(b))	**(1,989)**	(1,735)
	42,307	49,851

All trade receivables are expected to be recovered within one year.

No significant amounts denominated in a currency other than the Company's functional currency are included in trade receivables.

(a) Aged analysis

The Group generally allows a credit period from 1 month to 3 months to its trade customers. The following is an aged analysis of net trade receivables at the balance sheet date:

	2007 RMB'000	2006 RMB'000
Current	**19,327**	36,446
Less than 91 days past due	**3,414**	5,373
91 days but less than 271 days past due	**5,265**	7,092
271 days but less than 1 year past due	**13,648**	940
Over 1 year past due	**653**	—
Amounts past due	**22,980**	13,405
	42,307	49,851

23 TRADE RECEIVABLES *(Continued)*

(b) Impairment of trade receivables

The movement in the provision for impairment of trade receivables during the year, including both specific and collective loss components, is as follows:

	2007 RMB'000	2006 RMB'000
At 1 January	**1,735**	540
Impairment loss recognised	**254**	1,195
At 31 December	**1,989**	1,735

At 31 December 2007, the Group's trade receivables of approximately RMB44,296,000 (2006: approximately RMB51,586,000) were individually determined for impairment provision. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific provision for impairment of approximately RMB1,989,000 (2006: approximately RMB1,735,000) was recognised. The Group does not hold any collateral over these balances.

(c) Trade receivables that were past due but not impaired

All the past due balances of trade receivables were individually determined for impairment provision. Accordingly, no ageing analysis of the past due but not impaired trade receivables was presented.

In the opinion of the directors, the carrying amount of trade receivables approximates their fair values and impairment loss of trade receivables had been made after considering their recoverability.

24 TRADE DEPOSITS

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

The ageing of trade deposits at the balance sheet date is as follows:

	2007 RMB'000	2006 RMB'000
Within 90 days	**900**	2,300
Between 91 and 180 days	**4,722**	11,080
Between 181 and 365 days	**15,400**	9,257
Between 1 and 2 years	**16,069**	663
Between 2 and 3 years	**200**	11,548
Over 3 years	**5,851**	—
	43,142	34,848
Provision for impairment	**(4,801)**	(5,990)
	38,341	28,858

In the opinion of the directors, the carrying amount of trade deposits approximates to their fair value.

25 CASH AND CASH EQUIVALENTS

	The Group		**The Company**	
	2007 RMB'000	2006 RMB'000	**2007 RMB'000**	2006 RMB'000
Cash and cash equivalents in the balance sheet and consolidated cash flow statement	**73,009**	67,209	**2,063**	22,530
Cash and cash equivalents are denominated in (located)				
RMB (in the PRC)	**69,470**	39,137	**—**	—
US$ (in the PRC)	**15**	15	**—**	—
HK$ (in the PRC)	**11**	15,081	**11**	15,079
US$ (outside the PRC)	**11**	11	**—**	—
HK$ (outside the PRC)	**2,964**	8,843	**2,052**	7,451
NT$ (outside the PRC)	**538**	4,122	**—**	—
	73,009	67,209	**2,063**	22,530

RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange control restrictions imposed by the PRC government.

26 SHARE CAPITAL

	Notes	Number of ordinary shares (in thousand)	Nominal value HK$'000	RMB'000
Authorised:				
Ordinary shares of HK$0.1 each as at 1 January 2006	(a)	1,000	100	103
Increase in authorised share capital	(b)	1,999,000	199,900	205,897
Ordinary shares of HK$0.1 each as at 31 December 2006 and 2007		2,000,000	200,000	206,000
Issued and fully paid:				
Balance as at 1 January 2006		—	—	—
Credited as fully paid as part of Reorganisation	(a)	1,000	100	103
Ordinary shares of HK$0.1 each issued as consideration for acquisition of the entire issued share capital of Millstone	(c)	1,000	100	103
Conversion of the bond	(d)	362	36	37
Capitalisation issue	(e)	147,638	14,764	15,207
Issue of ordinary shares of HK$0.1 each upon listing	(f)	50,000	5,000	5,150
Balance as at 31 December 2006		200,000	20,000	20,600
Exercise of share option during the year	(g)	250	25	24
Balance as at 31 December 2007		200,250	20,025	20,624

Notes:

(a) On 28 January 2003, the Company was incorporated in the Cayman Islands with an initial authorised share capital of HK$100,000 (equivalent to RMB103,000) divided into 1,000,000 ordinary shares of HK$0.1 each. On 28 February 2003, 1,000,000 ordinary shares of HK$0.1 each were allotted and issued as nil paid. All such nil paid shares were credited as fully paid at par during 2006.

(b) Pursuant to a resolution passed on 10 June 2006, the Company's authorised share capital was increased from HK$100,000 to HK$200 million by the creation of an additional 1,999,000,000 ordinary shares of HK$0.1 each in aggregate.

26 SHARE CAPITAL *(Continued)*

Notes: *(Continued)*

(c) On 10 June 2006, as part of the Reorganisation (Note 2), the Company issued an additional 1,000,000 ordinary shares of HK$0.1 each in the capital of the Company, credited as fully paid to the then shareholders of Millstone in consideration for the acquisition of the entire issued share capital of Millstone.

(d) On 10 June 2006, convertible bond with principal amount of HK$25 million was converted into 361,888 ordinary shares in the share capital of the Company.

(e) On 4 July 2006, 147,638,112 ordinary shares of HK$0.1 each were allotted and issued as fully paid to the holders of the shares whose names appeared on the register of members of the Company as at the close of business on 10 June 2006, in proportion to their shareholdings, by way of capitalisation of the sum of HK$14,763,811 standing to the credit of share premium account of the Company ("Capitalisation issue").

(f) On 4 July 2006, 50,000,000 ordinary shares of HK$0.1 each were issued to the public at HK$1.06 each for a total cash consideration, before deducting the share issuance expenses, of approximately RMB53,000,000.

(g) During the year, the issued share capital of the Company was increased due to the exercise of share options by the employees of the Group. Details of the share options exercised during the year are summarised in note 27.

27 SHARE OPTION SCHEMES

The Group recognises the fair value of the share options or shares granted as an expense over the vesting period and the corresponding amount is recognised in the employee share-based compensation reserve under equity. When the eligible participants choose to exercise share options, the respective amount in employee share-based compensation reserve is transferred to share capital and share premium, together with exercise price. At each balance sheet date, the Group revises its estimates of the number of share options or shares that are expected to become vested. The impact of the revision of original estimates, if any, is recognised in the income statement with a corresponding adjustment to the employee share-based compensation reserve over the remaining vesting period.

A 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. On 10 June 2006, options to subscribe for an aggregate of 6,000,000 shares of the Company have been granted by the Company to the eligible participants under the Pre-IPO Share Option Scheme.

27 SHARE OPTION SCHEMES *(Continued)*

Details of the movements of the outstanding share options granted under the Pre-IPO Share Option Scheme of the Company were as follows:

Name or Category of Participant	Number of shares in respect of share options: Outstanding as at 1 January 2007	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2007	Date of grant	Exercisable period#	Exercise price per share HK$	Weighted average exercise price HK$
Directors:									
Chiang Chen Feng	750,000	—	—	—	750,000	10/06/2006	05/07/2007 — 04/07/2016	0.795	0.795
Han Lin	750,000	—	—	—	750,000	10/06/2006	05/07/2007 — 04/07/2016	0.795	0.795
Chang Hsiu Hua	550,000	—	—	—	550,000	10/06/2006	05/07/2007 — 04/07/2016	0.795	0.795
Employees:									
In aggregate	3,500,000	—	(250,000)	(450,000)	2,800,000	10/06/2006	05/07/2007 — 04/07/2016	0.795	0.795
Total	5,550,000	—	(250,000)	(450,000)	4,850,000				0.795

The vesting period of the share options is from the date of grant until the commencement of the exercisable period.

The fair value of share options granted under the Pre-IPO Share Option Scheme are determined at the dates of grant using the Binominal Option Pricing Model by an independent valuer and the following assumptions were used to calculate the fair value of share options:

Option value	HK$0.41
Exercise price	HK$0.795
Risk-free interest rate	4.84%
Expected volatility	45%
Dividend yield	3.5%
Life of options	9 years

The expected volatility is based on historical volatility (calculated based on the weighted average remaining life). Expected dividends are based on historical dividends. Changes in the subjective inputs and assumptions could materially affect the fair value estimate.

A further share option scheme (the "Share Option Scheme") was also adopted pursuant to a written resolution passed by all shareholders of the Company on 10 June 2006. The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentive or reward for their contribution to the Group. The Share Option Scheme will remain in force for a period of 10 years commencing from 10 June 2006.

27 SHARE OPTION SCHEMES *(Continued)*

The maximum number of unexercised options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under the 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 options in excess of this limit is subject to shareholders' approval in a general meeting.

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 Company's 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 Company's 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 Company's shares.

Following the resolution passed in the directors' meeting of the Company held on 12 March 2008, share options to subscribe for a total of 6,000,000 ordinary shares of the Company were granted to all existing directors and certain key employees of the Group which exercise price is at HK$1.12 per share pursuant to the above Share Option Scheme.

28 RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein for the current and previous years are presented in the consolidated statement of changes in equity on page 35 of this report.

The merger reserve of the Group represents the difference between the nominal value of the share capital issued by the Company and the aggregate of share capital and the share premium of Millstone acquired pursuant to the Reorganisation.

In accordance with the Company Law of the PRC and the respective articles of association of the PRC subsidiaries, at least 10% of its net profit as stated in its statutory accounts prepared under the applicable PRC accounting regulations and relevant regulations in the PRC shall be transferred to the reserve fund before dividend distribution, until the balance of such fund has reached 50% of its registered capital. The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital.

28 RESERVES *(Continued)*

(b) The Company

	Share premium RMB'000	Employee share-based compensation reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance as at 1 January 2006	—	—	—	(86)	(86)
Share capital fully paid (Note 26(a))	(103)	—	—	—	(103)
Conversion of the bond (Note 26(d))	27,280	—	—	—	27,280
Capitalisation issue(Note 26(e))	(15,207)	—	—	—	(15,207)
Initial public offering (Note 26(f))	49,440	—	—	—	49,440
Share issuance expense	(12,029)	—	—	—	(12,029)
Employee share option benefits	—	1,197	—	—	1,197
Currency translation differences	—	—	(1,985)	—	(1,985)
Loss for the year	—	—	—	(2,463)	(2,463)
Balance as at 31 December 2006 and 1 January 2007	49,381	1,197	(1,985)	(2,549)	46,044
Issue of ordinary shares upon exercise of share options (Note 26(g))	267	(97)	—	—	170
Employee share option benefits	—	950	—	—	950
Currency translation differences	—	—	(4,836)	—	(4,836)
Loss for the year	—	—	—	(5,159)	(5,159)
Dividends (Note 12)	(4,747)	—	—	—	(4,747)
Balance as at 31 December 2007	44,901	2,050	(6,821)	(7,708)	32,422

29 CAPITAL MANAGEMENT

The Group's capital management objectives are:

(i) to ensure the Group's ability to continue as a going concern;

(ii) to provide an adequate return to shareholders;

(iii) to support the Group's sustainable growth, and

(iv) to provide capital for the purpose of potential mergers and acquisitions.

The Group may manage its capital structure and make 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 amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The Group's overall strategy remains unchanged from 2006.

The Group considered that the shareholders of net debt-to-adjusted capital ratio according to the amendment to HKAS 1 "Presentation of financial statements: Capital disclosures" would not be applicable as the Group manages capital rather by regularly monitoring its current and expected liquidity requirements than solely by using debt-to-equity ratio.

For debt-to-equity ratio, the Group defines debt as the total debts including short-term and long-term interest-bearing borrowings while equity is equal to total equity at year end date. At 31 December 2007, the Group's debt-to-equity ratio was calculated to be zero which was attributed to the fact that no bank borrowings or other forms of interest-bearing bank loans were used up by the Group during and as at year end.

The Group had a net current ratio of 6.46 which is calculated based on current assets less cash and cash equivalents divided by current liabilities, and a total equity of approximately RMB156,588,000 at balance sheet date. In the future, management of the Company will ensure that entities in the Group will be able to continue as a going concern.

30 ACQUISITION OF SUBSIDIARIES

The assets and liabilities arising from the acquisition of subsidiaries are as follows:

	2007 RMB'000	2006 RMB'000
Net assets acquired:		
Fixed assets	—	148
Deferred assets	—	180
Trade and other receivables	—	158
Cash and cash equivalents	—	7,204
Accrued expenses and other payables	—	(1,389)
Minority interests	—	(1,203)
Net assets	—	5,098
Goodwill	—	190
Total consideration	—	5,288
Satisfied by:		
Cash consideration	—	4,428
Other consideration	—	190
Transfer from investment in an associate	—	670
	—	5,288
Net cash inflow in respect of acquisition of subsidiaries		
Purchase consideration settled in cash as at 31 December 2006	—	(4,428)
Cash and cash equivalents in subsidiaries acquired	—	7,204
Cash inflow on acquisition	—	2,776

31 CONTINGENCIES

At 31 December 2007, the Group had the following significant contingencies:

	2007 RMB'000	2006 RMB'000
Combined property consultancy and agency contracts for the property projects in — Shanghai (Note)	—	5,000

Note: Pursuant to a comprehensive property consultancy and agency contract for one property project in Shanghai entered into by the Group in 2006, if the Group was not able to fulfil the committed sales target as stipulated in the contract, the Group was obliged to arrange a third party to purchase the unsold properties at a price stipulated in the contract. As at 31 December 2006, the aggregate price of the related unsold properties according to the contract amounted to approximately RMB5,000,000. All the units were sold by the Group as at 31 December 2007.

32 OPERATING LEASE COMMITMENTS

At 31 December 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases for office buildings as follows:

	2007 RMB'000	2006 RMB'000
Within one year	**4,476**	2,711
Later than one year but not later than five years	**2,708**	584
	7,184	3,295

33 BANKING FACILITIES

On 3 February 2007, Shanghai Fortune Sun entered into a loan agreement with First Sino Bank in Shanghai in respect of a RMB15,000,000 standby loan facility. The loan facility was secured by a fixed deposit of RMB15,000,000 of the Company. The loan facility has not been utilised at the balance sheet date and duly expired on 31 January 2008 with no renewal.

34 SUBSEQUENT EVENTS

(a) On 3 January 2008, Shanghai Fortune Sun, a wholly owned subsidiary of the Company, entered into a non-binding sales and purchase contract ("Contract") with an independent third party, Shanghai Hong Qiao Lin Kong Technology Development Company Limited (上海虹橋臨空科技發展有限公司)("Shanghai Hong Qiao Lin Kong"), for the acquisition ("Acquisition") of office premises in Shanghai by the Group for use as the Group's headquarters. Pursuant to the terms of the Contract, a deposit of RMB10 million was made to Shanghai Hong Qiao Lin Kong on 4 January 2008. If the parties fail to agree on the final terms of the Acquisition and to enter into a binding agreement in respect thereof on or before 30 June 2008, the deposit, the together with an interest at 8% per annum thereon, will be fully refunded to the Group.

Details of the change in usage of the IPO net proceeds are set out in the Company's announcement dated 24 December 2007 in respect of financing the Acquisition.

(b) On 2 April 2008, Shanghai Fortune Sun entered into a sales agency agreement and a supplementary sales agreement with a real estate owner, Shanghai Xi Ge Ma Land Company Limited (上海希格瑪置業有限公司) ("Customer"), being an independent third party customer in the PRC, together with another independent third party, Shanghai Ming Xin Investment and Management Company Limited (上海名昕投資管理諮詢有限公司) which is principally engaged in property investment business in the PRC (the "Investment Partner"), for the appointment of Shanghai Fortune Sun as the principal sales and consultancy agent for a large real estate project located in Eastern China. Shanghai Fortune Sun has subsequently paid an advance deposit ("Security Deposit") of RMB20 million to the Customer to secure the performance of the sales agency obligations for a period approximately one year up to 30 April 2009. The Security Deposit, which is unsecured and interest free, is refundable by the Customer to Shanghai Fortune Sun within seven days after completion of the sales of the underlying properties of the real estate project or by 30 April 2009, whichever is earlier.

To ensure recovery of the Security Deposit by Shanghai Fortune Sun, the Investment Partner has agreed to unconditionally refund the entire RMB20 million to Shanghai Fortune Sun within 10 days from 30 April 2009, whether or not the sales of the underlying properties can be completed by end of 30 April 2009.

35 COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with the current year's presentation of the financial statements.

Summary of Financial Information

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 and the Prospectus of the Company dated 23 June 2006, is as follows:

	Year ended 31 December				
	2007	2006	2005	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Turnover	**97,942**	74,824	115,862	101,933	61,509
Profit attributable to shareholders of the Company for the year	**22,646**	19,199	40,987	37,709	14,390

	As at 31 December				
	2007	2006	2005	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES					
Total assets	**176,897**	165,963	98,491	56,070	34,352
Total liabilities	**20,309**	26,013	38,419	13,816	14,892
Shareholders' equity	**156,588**	139,950	60,072	42,254	19,461

Notes:

(1) The Company was incorporated in the Cayman Islands on 28 January 2003 and became the holding company of the Group on 10 June 2006 as a result of Reorganisation.

(2) The summary financial information for the years ended 31 December 2003, 2004 and 2005 have been prepared using the principles of merger accounting as if the group structure immediately after the Reorganisation had been in existence throughout the years concerned.

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.	Unit 4 on Level 26 Block 1 No. 28 Xijiao Road Jiulongpo District Chongqing The PRC	approximately 131.67 sq.m.	Residential	100%	Medium
2.	No. 101 of Entrance 1, No. 102 of Entrance 1, No. 201 of Entrance 1, No. 401 of Entrance 1, No. 901 of Entrance 1, No. 102 of Entrance 3 and No. 201 of Block No. 1 No. 101 of Entrance 1, No. 101 of Entrance 2 No. 102 of Entrance 3 , No. 201, No. 301 No. 1704 and No. 1804 of Block No. 2 No. 134 Yuan Shifoyingdongli Chaoyang District Beijing The PRC	approximately 1803.12 sq.m. (inclusive of the underground rooms)	Residential	100%	Long
3.	Unit 6 on Level 17 Enterprise Development Building (企業發展大廈) No.28 Xuanhua Road Changning District Shanghai The PRC	approximately 73.16 sq.m.	Commercial	100%	Medium