ANNUAL REPORT 2008

Fortune Sun

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 352

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Ms. Lin Chien Ju

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Cheng Chi Pang
Mr. 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
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Units 01-08
Level 31
China Insurance Building
No. 166 Lujiazui East Road
Pudong New 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 Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
George Town
Grand Cayman
Cayman Islands

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*

AUDITORS

Grant Thornton
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

CHAIRMAN'S STATEMENT

I would like to present on behalf of the board (the "Board") of directors ("Directors") of Fortune Sun (China) Holdings Limited (the "Company") the 2008 annual report of the Company and its subsidiaries (collectively, the "Group").

2008 was an extraordinary year as the global economy was affected by the financial tsunami originated from the US sub-prime mortgage crisis. The economy of China was noticeably hampered by the financial tsunami as a result of globalization. China's property market had been consequently affected by a growing pessimism of upcoming sluggish market conditions which has resulted in retarded market activities. Other reasons, like an outflux of foreign capital from China due to a general call back of capital in major global economies and the drying up of credit in the global capital market, also contributed to decreased activities in the PRC property market. In this difficult year, we announce to the shareholders of the Company that the Group has recorded a tremendous loss in 2008 due to a significant drop of 77% in turnover for 2008 as compared to double-digit growth in both revenue and profit for 2007.

Given the adverse market situation in 2008, the Group reported a tremendous decrease in turnover by approximately 77% to approximately RMB23 million (2007: RMB97.9 million) and recorded a loss attributable to shareholders of approximately RMB48.3 million (2007: profit of RMB22.6 million) as compared to a profit in 2007. The basic loss per share was approximately RMB24.10 cents (2007: basic earning per share of RMB11.32 cents).

The Board did not recommend any dividend for the year ended 31 December 2008.

Our management is currently making extra efforts in the execution of current projects on hand in view of expediting the generation of commission revenue and is also taking appropriate steps to enforce stringent cost controls on our existing operations with the aim of improving our financial performance. In addition, we will also explore alternative sources of credit or capital so as to restore our financial health.

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, customers and shareholders for their support and cooperation throughout the year.

Fortune Sun (China) Holdings Limited

Chiang Chen Feng
Chairman

22 April 2009
Hong Kong

DIRECTORS & SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chiang Chen Feng（江陳鋒）, aged 44, 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's degree in business management and started to engage in real estate property valuation and market research. During 1995 to 1996, Mr. Chiang was a researcher of Coastal Greenland Limited (Stock Code: 1124) (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, Cornerstone Asset Management Consultancy (Shanghai) Limited ("Cornerstone"), 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. Mr. Chiang is currently the director of Active Star Investment Limited, which has an interest in such number of shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance as disclosed in the section headed "Substantial Shareholders' Interests in Shares" in this annual report.

Ms. Chang Hsiu Hua（張秀華）, aged 43, is an executive Director. Ms. Chang obtained her bachelor's degree in public finance from Feng Chia University（逢甲大學）in Taiwan in June 1988. In 1988, Ms. Chang joined Subaru Motors Co., Ltd.（仲慶汽車有限公司）and was responsible for valuation and insurance matters. In January 1993, she was employed at Equity Law Firm（衡平法律事務所）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 in January 2000 and has been responsible for financial management. In August 2005, Ms. Chang was appointed as a director of Shanghai Fortune Sun. She is also a director of each of Cornerstone, Full Sincerity and High Color. Ms. Chang is the spouse of Mr. Chiang Chen Feng, an executive Director.

Mr. Han Lin（韓林）, aged 41, is an executive Director. Mr. Han obtained a bachelor's degree in applied geophysics from Sichuan United University Chengdu College of Geology（四川聯合大學成都地質學院大學）in June 1989. Mr. Han is the holder of Certificate for Real Estate Brokers in Shanghai（上海房地產經紀人證書）. During 1989 to 1996, Mr. Han was employed at the 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 Cornerstone. Since January 2003, he has been 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 36, 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 Dominican University of California, the United States in May 1998. Ms. Lin is one of the co-founders of the Group. Ms. Lin has been a director of Shanghai Fortune Sun since April 1997. Ms. Lin is currently the director of Upwell Assets Corporation, which has an interest in such number of shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance as disclosed in the section headed "Substantial Shareholders' Interests in Shares" in this annual report.

DIRECTORS & SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Wai Hung（吳偉雄）, aged 45, has been appointed as an independent non-executive Director since June 2006. Mr. Ng is a practising solicitor and a partner in Iu, Lai & Li, a Hong Kong firm of solicitors. Mr. Ng practises in the areas of securities law, corporate law and commercial law in Hong Kong. Mr. Ng is also an independent non-executive director of four companies listed on the Stock Exchange, namely KTP Holdings Limited (Stock Code: 645), Tomorrow International Holdings Limited (Stock Code: 760), Hycomm Wireless Limited (Stock Code: 499) and Yun Sky Chemical (International) Holdings Limited (Stock Code: 663).

Mr. Cui Shi Wei（崔士威）, aged 57, has been appointed as 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 is currently working as a senior management of a nationwide insurance company. Mr. Cui also worked as a senior management member of Coastal Greenland Limited (Stock Code: 1124), the shares of which are listed on the Stock Exchange.

Dr. Cheng Chi Pang（鄭志鵬）, aged 51, has been appointed as an independent non-executive Director since June 2006. Dr. Cheng obtained a Bachelor's Degree in Business, a Master Degree in Business Administration and a Doctorate Degree of Philosophy in Business Management from Curtin University of Technology, Heriot-Watt University and Burkes University in 1992, 1998 and 2003 respectively. Dr. Cheng is an associate member of the Hong Kong Institute of Certified Public Accountants, Institute of Chartered Accountants in England and Wales, the Australian Society of Certified Practising Accountants and the Taxation Institute of Hong Kong and a fellow member of the Hong Kong Institute of Directors. Dr. Cheng is a Certified Public Accountant practising in Hong Kong and has over 26 years of experience in auditing, business advisory and financial management. Dr. Cheng had been a group financial controller of NWS Holdings Limited (Stock Code: 659), the shares of which are listed on the Stock Exchange. Currently, Dr. Cheng is the senior partner of Leslie Cheng & Co. Certified Public Accountants and the chairman and chief executive officer of L & E Consultants Limited. Dr. Cheng is also a non-executive director of Wai Kee Holdings Limited (Stock Code: 610) and Build King Holdings Limited (Stock Code: 240); and an independent non-executive director and chairman of audit committee of China Ting Group Holdings Limited (Stock Code: 3398), Nine Dragons Paper (Holdings) Limited (Stock Code: 2689) and Tianjin Port Development Holdings Limited (Stock Code: 3382), all of which are companies listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Ms. Wang Jia（王佳）, aged 39, 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 Shanghai University in July 1992 with a bachelor's degree, majoring in mechanical design and manufacturing. Ms. Wang has 11 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）.

DIRECTORS & SENIOR MANAGEMENT

Mr. Leung Ka Lok（梁家樂）, aged 38, has been appointed as 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 from the University of Manchester and Bachelor's Degree in Accountancy from the 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.

Ms. Jao Hui Mei（饒慧美）, aged 42, 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 manager, the manager, the senior manager, the deputy general manager and the general manager of the promotion planning department. Ms. Jao obtained a Diploma of Enterprise Management, majoring in sales management from the College for Professional Training in Finance and Business（私立致理商業專科學校）in June 1989.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET & BUSINESS REVIEW

In this turbulent year of 2008, although the Chinese economy was relatively less susceptible to the calamity caused by the financial tsunami than the United States and the European countries, it was inevitably affected by this "once-in-a-century" financial crisis. The continuous deterioration in investor confidence due to pessimistic market information further dampened investment activities. Stock markets, properties markets and other investment sectors were undergoing a bearish trend throughout the year.

Under this unsatisfactory market condition, our Group's annual turnover in 2008 was approximately RMB 23.0 million, representing a drastic drop of approximately 77% as compared to approximately RMB97.9 million in 2007. The drop in revenue was due to both the slow sales for projects and less revenue contributed by some close-to-complete projects, which can be reflected by the decrease in the saleable area being sold under 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 decreased by approximately 77 % to approximately RMB22.0 million from approximately RMB97.7 million in 2007.

From a geographical perspective, Zhejiang province (including Shanghai) was our focal area for generating revenue which contributed approximately 74% of annual turnover of 2008 (approximately 91% in 2007). Among the annual turnover, approximately 26% of it (approximately 9% in 2007) was generated from other areas in China.

The gross loss margin of the Group was approximately 57.6% in the year ended 31 December 2008, as compared to a gross profit margin of approximately 48.9% in 2007 with less revenue generated from the operations during 2008. The loss attributable to equity shareholders was approximately RMB48.3 million as compared with a profit of approximately RMB22.6 million in 2007, mainly due to the declining turnover in 2008.

COMPREHENSIVE PROPERTY CONSULTANCY AND AGENCY BUSINESS

The provision of comprehensive property consultancy and agency services for the primary property market in the PRC is the core business of the Group. In 2008, the turnover of the Group was generated from 25 comprehensive property consultancy and agency projects (2007: 28 projects) with approximately 330,000 square metres (2007: approximately 692,000 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 2008 was approximately RMB21.99 million, representing approximately 95.6% of the total turnover of the Group.

As at 31 December 2008, the Group had 42 comprehensive property consultancy and agency projects on hand with a total of approximately 4.4 million square metres of unsold gross floor areas. Among these 42 projects, sale of the underlying properties of 19 projects have not yet commenced as at 31 December 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

Looking forward to the year 2009, it is definitely a tough year for business operation given the prevailing economic uncertainty caused by the aftermath of the financial tsunami. The Group aims at easing its liquidity pressure with comprehensive measures to reduce overall expenditures and also to enhance the collection of receivables so as to maintain adequate liquidity. The management of the Group is constantly monitoring the market situation and will formulate new business strategies in order to broaden the Group's revenue base. They may also explore alternative sources of credit or capital so as to restore the financial health of the Company. Lastly, the Group will continue to maintain the quality service to its clients so as to retain the customer base and to preserve our goodwill in the market.

LIQUIDITY AND FINANCIAL RESOURCES

In 2008, the Group's source of funds was mainly from cash generated from operation.

As at 31 December 2008, the Group had net current assets of approximately RMB102.32 million, total assets of approximately RMB135.75 million and shareholders' funds of approximately RMB105.55 million.

As at 31 December 2008, the cash and cash equivalent of the Group amounted to approximately RMB19.29 million.

BANK BORROWINGS AND OVERDRAFT

The Group had no bank borrowings or overdrafts as at 31 December 2008 (2007: Nil).

On 3 February 2007, Shanghai Fortune Sun entered into a loan agreement with a bank in respect of a RMB15,000,000 loan facility. The loan facility was secured by a deposit of RMB15,000,000 of the Company. The loan facility had not been utilised and duly expired on 31 January 2008 with no renewal.

INDEBTEDNESS

As the Group did not have any borrowings as at 31 December 2008, the gearing ratio was zero as at 31 December 2008.

FOREIGN EXCHANGE RISKS

As the Group's sales are predominantly denominated in Renminbi and the purchases and expenses are either denominated 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.

MANAGEMENT DISCUSSION AND ANALYSIS

STAFF

As at 31 December 2008, the Group had a total of 252 staff (2007: 295 staff), whose remuneration and benefits are determined based on market rates, state policies and individual performance.

MAJOR INVESTMENT

For the year ended 31 December 2008, 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 notes 33 and 34 to the financial statements.

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 31 December 2008 (2007: Nil).

CORPORATE GOVERNANCE REPORT

The Company recognises the importance of good corporate governance to its healthy growth, and 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 Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. The Company has complied with the CG Code for the year ended 31 December 2008, 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, with Mr. Chiang Chen Feng currently performing these two roles. The Board believes that vesting both the roles of chairman and CEO in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and 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 and 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 expiry 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.

CORPORATE GOVERNANCE REPORT

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). In light of various amendments to the Listing Rules, particularly the Model Code, the Company adopted a revised code of conduct regarding securities transactions by Directors on terms no less exacting than the revised Model Code with retrospective effect from 1 January 2009. Having made specific enquiry of all Directors, the Company is satisfied that all Directors have fully complied with the required standards set out in the Model Code and the code of conduct during the year ended 31 December 2008.

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 spousal relationship between Mr. Chiang Chen Feng and Ms. Chang Hsiu Hua, both of whom are 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 2008, the Board convened a total of five 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	5
Non-executive Director		
Ms. Lin Chien Ju	5	4
Independent non-executive Directors		
Dr. Cheng Chi Pang	5	5
Mr. Ng Wai Hung	5	2
Mr. Cui Shi Wei	5	5

CORPORATE GOVERNANCE REPORT

COMMITTEES OF THE BOARD

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

EXECUTIVE COMMITTEE

The Company has established an executive committee (the "Executive Committee") with written terms of reference on 12 January 2007. It consists of all of the executive Directors, namely, Mr. Chiang Chen Feng, Ms. Chang Hsiu Hua and Mr. Han Lin. The Executive Committee is responsible for reviewing and approving, inter alia, any matters concerning the day-to-day management and has all the general powers of the Board except those matters specifically reserved for the Board.

The Executive Committee convened five meetings for the year ended 31 December 2008. The individual attendance record of each member of the Executive Committee is tabulated as follows.

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

NOMINATION OF DIRECTORS

The Company has set up a nomination committee (the "Nomination Committee"). 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 2008, the Nomination Committee has not convened any meeting concerning the nomination of Directors and had not undergone any process in relation to nomination of Directors. No nomination of new Directors took place during the year ended 31 December 2008.

CORPORATE GOVERNANCE REPORT

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 Board 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 was set up for the purposes of receiving and supervising the financial reporting process and internal control procedures of the Group and regulating the financial reporting procedures and internal controls of the Group. 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. For the year ended 31 December 2008, the Audit Committee met with the external auditors to review and approve the audit plans and also reviewed the Group's interim results of 2008 and annual results of 2007 and the audit findings with the attendance of the external auditors and executive Directors.

The Audit Committee has reviewed the accounting policies, accounting standards and practices adopted by the Group and the consolidated financial statements and results of the Group for the year ended 31 December 2008.

The Audit Committee convened two meetings for the year ended 31 December 2008. The individual attendance record of each member of the Audit Committee is tabulated as follows:

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

CORPORATE GOVERNANCE REPORT

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 primary duties of the Remuneration Committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management. During the year under review, the Remuneration Committee has not convened any meeting concerning the 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 Grant Thornton and Grant Thornton China CPA Limited, the auditors of the Group and of the subsidiaries of the Company in PRC respectively, were made up of HK$760,000 and HK$80,000 respectively.

DIRECTORS' AND AUDITORS' 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 auditors' 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.

CORPORATE GOVERNANCE REPORT

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 in the manner prescribed under the Articles of Association of the Company and the Listing Rules 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 Article 72 of the Articles of Association. Details of such rights and procedures will be included in the relevant circulars to shareholders and explained during the proceedings of meetings. 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.

CORPORATE GOVERNANCE REPORT

MATERIAL UNCERTAINTIES OF THE GROUP'S ABILITY TO CONTINUE AS A GOING CONCERN

The external auditors have expressed a disclaimer of opinion relating to preparation of the audited consolidated financial statements of the Group for the year ended 31 December 2008 due to fundamental uncertainties as set out in pages 31 to 34 of this annual report.

Details of the material uncertainties referred to by the external auditors can also be found in an announcement of the Company dated 20 April 2009, which has been 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).

AMENDMENTS TO THE LISTING RULES

In light of the amendments made to the Listing Rules with effect from 1 January 2009, the Company has incorporated such changes in its corporate governance practices commencing from 1 January 2009 and will strive to improve its corporate governance in the future.

DIRECTORS' REPORT

The directors ("Directors") of Fortune Sun (China) Holdings Limited (the "Company") are pleased to present their report and the audited financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 15 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2008 and the state of affairs of the Company and the Group as at 31 December 2008 are set out in the financial statements on pages 35 to 96.

On 22 April 2009, the Directors resolved not to recommend any final dividend to the shareholders of the Company for the year ended 31 December 2008 because of the poor financial results and liquidity position of the Group.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 17 June 2009 to Friday, 19 June 2009 (both days inclusive) during which period no transfer of shares will be registered.

In order to qualify for attending and voting at the 2008 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, 16 June 2009.

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 17 and 18 to the consolidated financial statements as well as the section headed "Summary of Major Properties" of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Company and of the Group during the year are set out in note 14 to the consolidated financial statements.

POST BALANCE SHEET EVENTS

Details of the post balance sheet events of the Group are set out in note 35 to the consolidated financial statements.

DIRECTORS' REPORT

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 27 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Company and the Group are set out in note 29 to the consolidated financial statements and the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

Under section 34 of the Companies Law of the Cayman Islands (as revised and consolidated from time to time), the share premium is available for distribution to shareholders subject to the provisions of the articles of association of the Company, 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 2008, the Company's reserves available for distribution amounted to approximately RMB34,950,000.

DISCLOSURE PURSUANT TO RULES 13.13 AND 13.15 OF THE LISTING RULES

With reference to the announcement of the Company dated 21 April 2008 in relation to the payment of a security deposit ("Security Deposit") for the sum of RMB20 million by Shanghai Fortune Sun, a wholly-owned subsidiary of the Company, to an independent customer ("Former Customer") which is an real estate owner of a large real estate project located in Eastern China to secure the performance of its sales agency obligations in the Subject Project (as defined hereinafter) under certain agency agreements ("Agency Agreements"). Shanghai Ming Xin Investment and Management Company Limited (上海名昕投資管理有限公司) ("Former Investment Partner"), an independent third party, had agreed to unconditionally refund the entire Security Deposit to Shanghai Fortune Sun by 10 May 2009.

At the time of the Agency Agreements, the Former Customer had been in the course of acquiring the interest of the Subject Project from its original owner and developer ("Current Customer"). Such acquisition had subsequently fallen through and therefore the Agency Agreements were terminated in October 2008. On 23 October 2008, the Current Customer entered into another sales agency agreement ("New Agency Agreement") with Shanghai Fortune Sun and 上海可上房產咨詢有限公司 ("Current Investment Partner"), another independent third party principally engaged in the property investment business in the PRC and a business partner of Shanghai Fortune Sun in the Subject Project, for the appointment of Shanghai Fortune Sun as its principal sales and consultancy agent for the Subject Project. The sale of the property under the Subject Project has been fully underwritten by the Current Investment Partner.

Pursuant to a novation agreement dated 24 October 2008 entered into between the Former Investment Partner, the Current Investment Partner and Shanghai Fortune Sun, the Current Investment Partner has assumed the repayment obligations of the Former Investment Partner in respect of the Security Deposit. The Security Deposit is unsecured and interest free, and the Current Investment Partner has agreed to refund the Security Deposit to Shanghai Fortune Sun 18 months after the sale commencement of the Subject Project, that is, on 23 May 2010.

As the amount of the Security Deposit represents approximately 13% of the assets ratio as defined under Rule14.07(1) of the Listing Rules, the Company's general disclosure obligation of certain particulars of the Security Deposit as prescribed under Rule 13.15 arose.

DIRECTORS' REPORT

LITIGATIONS

Two writs (the "Writs") dated 5 December 2008 and 21 December 2008 had been filed by two individuals ("the Relevant Plaintiffs") with Shanghai Pudong New District People's Court against Shanghai Fortune Sun in respect of certain contractual disputes between Shanghai Fortune Sun and each of the Relevant Plaintiffs over the agency agreements (collectively, the "Agreements Under Dispute") for the purchase of certain properties ("Relevant Properties") under the real estate project in Shanghai (the "Subject Project"). The Writs were received by Shanghai Fortune Sun on 24 December 2008 and 21 January 2009, respectively.

The Relevant Plaintiffs were individual customers of Shanghai Fortune Sun and, to the best of the knowledge of the Directors after making reasonable enquiries, they are independent of and not connected with any directors, chief executives, substantial shareholders of the Company, any of its subsidiaries and any of their respective associates. As stated in the Writs, it was alleged that under the Agreements Under Dispute entered into between Shanghai Fortune Sun and each of the Relevant Plaintiffs in May 2008, Shanghai Fortune Sun, as sales agent, had agreed, among others, to notify the Relevant Plaintiffs in writing of the inspection and taking of delivery of the Relevant Properties before 1 June 2008, and arrange for signing of the formal sale and purchase agreement for the purchase of the Relevant Properties within three months after the date of the respective Agreements Under Dispute (the "Obligations").

It was alleged in the Writs that Shanghai Fortune Sun had failed to honour the Obligations. The Relevant Plaintiffs had claimed from Shanghai Fortune Sun an aggregate sum of approximately RMB21 million, being the aggregate amount of prepayments made by the Relevant Plaintiffs to Shanghai Fortune Sun for the aggregate sum of approximately RMB15.6 million and the default interests payable in respect of the alleged breaches of the Agreements Under Dispute by Shanghai Fortune Sun accrued up to 31 December 2008 for the aggregate sum of approximately RMB5.4 million, together with the costs of the legal proceedings ("Litigations") in respect thereof. Several hearings had taken place since February 2009 and it is expected that there will be two more hearings in respect of one of the Litigations by end of May 2009. It is also expected that the court will hand down judgment for one of the Litigations by end of April 2009 and for another one by end of May 2009.

In connection with the Litigations, two court orders were granted by Shanghai Pudong New District People's Court against Shanghai Fortune Sun on 15 January 2009 and 1 February 2009 respectively whereby charging orders over the bank deposit of a bank account of Shanghai Fortune Sun for the sum of approximately RMB55,000 were imposed, pending the outcome of the Litigations. As at the date of this report, no other asset of Shanghai Fortune Sun has been subject to such charging orders executed by Shanghai Pudong New District People's Court, pursuant to which such bank account could not be operated by Shanghai Fortune Sun pending the outcome of the Litigations.

The Current Investment Partner has unconditionally undertaken to assume the responsibilities for the refund of any prepayment made to Shanghai Fortune Sun by its customers in the course of the implementation of the agency agreement for the purchase of properties under the Subject Project as a result of termination of the relevant agency agreements, and shall assume any liabilities of default compensation and interests arising from any related legal proceedings by these customers.

DIRECTORS' REPORT

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. Mr. Chiang Chen Feng, Dr. Cheng Chi Pang and Mr. Ng Wai Hung will retire as Director and, being eligible, offer themselves for re-election as Director at the 2008 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 2008 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).

DIRECTORS' REPORT

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 2008, the interests and short positions of the Directors and chief executive of the Company in the shares ("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)	33.83%
	The Company	Beneficial owner and interest of spouse (Note 3)	1,500,000 Shares (L)	0.7152% (Note 12)
Ms. Lin Chien Ju ("Ms. Lin")	The Company	Interest of a controlled corporation (Note 4)	36,352,050 Shares (L)	18.13%
		Beneficial owner (Note 5)	100,000 Shares (L)	0.0477% (Note 12)
Mr. Han Lin ("Mr. Han ")	The Company	Beneficial owner	7,051,801 Shares (L)	3.52%
		Beneficial owner (Note 6)	2,700,000 Shares (L)	1.2873% (Note 12)
Ms. Chang Hsiu Hua ("Ms. Chang")	The Company	Interest of spouse (Note 7)	67,820,850 Shares (L)	33.83%
	The Company	Beneficial owner and interest of spouse (Note 8)	1,500,000 Shares (L)	0.7152% (Note 12)
Dr. Cheng Chi Pang ("Dr. Cheng")	The Company	Beneficial owner (Note 9)	100,000 Shares (L)	0.0477% (Note 12)
Mr. Ng Wai Hung ("Mr. Ng")	The Company	Beneficial owner (Note 10)	100,000 Shares (L)	0.0477% (Note 12)
Mr. Cui Shi Wei ("Mr. Cui")	The Company	Beneficial owner (Note 11)	100,000 Shares (L)	0.0477% (Note 12)

DIRECTORS' REPORT

Notes:

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

2. These Shares were registered in the name of Active Star Investment Limited ("Active Star"), the entire issued capital of which was owned by Mr. Chiang. Mr. Chiang 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 1,500,000 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 (as defined below); and 100,000 options granted to him and 100,000 options granted to Ms. Chang by the Company under the Share Option Scheme (as defined below) on 12 March 2008. Mr. Chiang was regarded as interested in all the options in which Ms. Chang was interested by virtue of the SFO.

4. These Shares were registered in the name of Upwell Assets Corporation ("Upwell Assets"), the entire issued capital of which was 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 Ms. Lin represented 100,000 options granted to her by the Company under the Share Option Scheme on 12 March 2008.

6. The long position of Mr. Han in these 2,700,000 Shares comprised the 750,000 and 1,950,000 options granted to him by the Company under the Pre-IPO Share Option Scheme and the Share Option Scheme respectively.

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

8. The long position of Ms. Chang in these 1,500,000 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, and 100,000 options granted to her and 100,000 options granted to Mr. Chiang by the Company under the Share Option Scheme on 12 March 2008. Ms. Chang was regarded as interested in all the options in which Mr. Chiang was interested by virtue of the SFO.

9. The long position of Dr. Cheng in these 100,000 Shares represented 100,000 options granted to him by the Company under the Share Option Scheme on 12 March 2008.

10. The long position of Mr. Ng in these 100,000 Shares represented 100,000 options granted to him by the Company under the Share Option Scheme on 12 March 2008.

11. The long position of Mr. Cui in these 100,000 Shares represented 100,000 options granted to him by the Company under the Share Option Scheme on 12 March 2008.

12. These percentages are calculated on the basis of 209,740,000 Shares in issue as at 31 December 2008, assuming that all the then outstanding options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme had been exercised as at that date.

Save as disclosed above, as at 31 December 2008, 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.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2008, 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)	33.83%
Upwell Assets	Beneficial owner (Note 3)	36,352,050 Shares (L)	18.13%
Honorway Nominees Limited ("Honorway")	Beneficial owner (Note 4)	16,248,300 Shares (L)	8.11%
Mr. Ho Hau Chong, Norman	Interest of a controlled corporation (Note 4)	16,248,300 Shares (L)	8.11%
Ms. Yvette Therese Ma	Interest of spouse (Note 5)	16,248,300 Shares (L)	8.11%
Mr. Ho Hau Hay, Hamilton	Interest of a controlled Corporation (Note 4)	16,248,300 Shares (L)	8.11%
Ms. Sharon Young	Interest of spouse (Note 6)	16,248,300 Shares (L)	8.11%
Honorway Investments Limited	Interest of a controlled Corporation (Note 4)	16,248,300 Shares (L)	8.11%
Ms. Hsieh Hsiu-Mei ("Ms. Hsieh")	Beneficial owner and Interest of a controlled corporation (Note 7)	11,936,000 Shares (L)	5.9540%
Mr. Chu Yao-Jen	Interest of spouse (Note 8)	11,936,000 Shares (L)	5.9540%
Mrs. Chen Hsu Li-Mei	Beneficial owner	11,122,000 Shares (L)	5.5480%
Mr. Chen Chin Chuan	Interest of spouse (Note 9)	11,122,000 Shares (L)	5.5480%

DIRECTORS' REPORT

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, 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 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. The long position of Ms. Hsieh Hsiu-Mei in these 11,936,000 shares comprised 7,220,000 shares registered in the name of Forever Sky Group Limited, which was controlled by Ms. Hsieh, and 4,716,000 shares held by Ms. Hsieh as the beneficial owner. Ms. Hsieh 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 and he was deemed to be interested in all the Shares in which Ms. Hsieh was interested by virtue of the SFO.

9. Mr. Chen Chin Chuan is the husband of Mrs. Chen Hsu Li-Mei and he was deemed to be interested in all the Shares in which Mrs. Chen Hsu Li-Mei was interested by virtue of the SFO.

Save as disclosed above, so far as the Directors are aware, as at 31 December 2008, 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.

DIRECTORS' REPORT

SHARE OPTION SCHEMES

A pre-IPO share option scheme ("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 of the Company on the Main Board of the Stock Exchange.

A post-IPO share option scheme ("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.

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

DIRECTORS' REPORT

Details of the movements in the Company's share options (including those granted under the Pre-IPO Share Option Scheme and the Share Option Scheme) during the year ended 31 December 2008 were as follows:

	Number of shares in respect of share options								
Category of participant	**Outstanding as at 1 January 2008**	**Granted during the year**	**Exercised during the year** (Note)	**Lapsed during the year**	**Outstanding as at 31 December 2008**	**Date of grant**	**Exercise period**	**Exercise price per share** HK$	**Closing Price of the shares on the trading day immediately before the date of grant** HK$
Directors:									
Chiang Chen Feng	750,000	–	–	–	750,000	10/06/2006	05/07/2007 to 04/07/2016	0.795	N/A
	–	50,000	–	–	50,000	12/03/2008	12/03/2009 to 11/03/2018	1.12	1.12
	–	50,000	–	–	50,000	12/03/2008	12/03/2010 to 11/03/2018	1.12	1.12
	750,000	100,000	–	–	850,000				
Han Lin	750,000	–	–	–	750,000	10/06/2006	05/07/2007 to 04/07/2016	0.795	N/A
	–	975,000	–	–	975,000	12/03/2008	12/03/2009 to 11/03/2018	1.12	1.12
	–	975,000	–	–	975,000	12/03/2008	12/03/2010 to 11/03/2018	1.12	1.12
	750,000	1,950,000	–	–	2,700,000				
Chang Hsiu Hua	550,000	–	–	–	550,000	10/06/2006	05/07/2007 to 04/07/2016	0.795	N/A
	–	50,000	–	–	50,000	12/03/2008	12/03/2009 to 11/03/2018	1.12	1.12
	–	50,000	–	–	50,000	12/03/2008	12/03/2010 to 11/03/2018	1.12	1.12
	550,000	100,000	–	–	650,000				
Lin Chien Yu	–	50,000	–	–	50,000	12/03/2008	12/03/2009 to 11/03/2018	1.12	1.12
	–	50,000	–	–	50,000	12/03/2008	12/03/2010 to 11/03/2018	1.12	1.12
Cheng Chi Pang	–	50,000	–	–	50,000	12/03/2008	12/03/2009 to 11/03/2018	1.12	1.12
	–	50,000	–	–	50,000	12/03/2008	12/03/2010 to 11/03/2018	1.12	1.12
Ng Wai Hung	–	50,000	–	–	50,000	12/03/2008	12/03/2009 to 11/03/2018	1.12	1.12
	–	50,000	–	–	50,000	12/03/2008	12/03/2010 to 11/03/2018	1.12	1.12
Cui Shi Wei	–	50,000	–	–	100,000	12/03/2008	12/03/2009 to 11/03/2018	1.12	1.12
	–	50,000	–	–	100,000	12/03/2008	12/03/2010 to 11/03/2018	1.12	1.12
Employees:									
In aggregate	2,800,000	–	(220,000)	(810,000)	1,770,000	10/06/2006	05/07/2007 to 04/07/2016	0.795	N/A
		1,725,000		(275,000)	1,450,000	12/03/2008	12/03/2009 to 11/03/2018	1.12	1.12
	–	1,725,000	–	(275,000)	1,450,000	12/03/2008	12/03/2010 to 11/03/2018	1.12	1.12
	2,800,000	3,450,000	(220,000)	(1,360,000)	4,670,000				
	4,850,000	6,000,000	(220,000)	(1,360,000)	9,270,000				

Note : The weighted average closing price of the Shares immediately before the dates on which share options were exercised during the year was HK$1.00.

DIRECTORS' REPORT

For the year ended 31 December 2008, 220,000 options had been exercised and 1,360,000 options had lapsed during the year but 6,000,000 options had been granted under the 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 on which the offer for grant of the options is made, and shall end in any event not later than 10 years from the date on which the offer for the grant of the options is made subject to the provisions for early termination thereof. There is no minimum period required under the Share Option Scheme 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.

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.

DIRECTORS' REPORT

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 2008.

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.

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 64% 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 36% and 60% 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.

DIRECTORS' REPORT

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 2008 were audited by Grant Thornton who will retire at the conclusion of the forthcoming annual general meeting of the Company. A resolution will be submitted to the forthcoming 2008 Annual General Meeting to authorise the board of Directors to fill the causal vacancy in the office of the auditors of the Company and to fix the remuneration of the auditors.

DETAILS OF ANY CHANGE IN THE COMPANY'S AUDITORS IN THE PRECEDING THREE YEARS

Baker Tilly Hong Kong Limited ("**Baker Tilly**"), had resigned as the Company's auditors with effect from 20 June 2008, the details of which were disclosed in an announcement of the Company dated 20 June 2008 and published on the website of the Stock Exchange (http://www.hkex.com.hk) and the Investor Relations Section of our Company's website (http://www.fortune-sun.com).

Following the resignation of Baker Tilly as the Company's auditors, Grant Thornton was appointed to fill the casual vacancy in the office of the auditors with effect from 11 July 2008, the details of which were disclosed in an announcement of the Company dated 11 July 2008 and published on the website of the Stock Exchange (http://www.hkex.com.hk) and the Investor Relations Section of our Company's website (http://www.fortune-sun.com).

Save as disclosed above, there is no change in the Company's auditors in any of the preceding three years.

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

Mr. Chiang Chen Feng
Chairman

Hong Kong, 22 April 2009

INDEPENDENT AUDITORS' REPORT

Grant Thornton
均富

To the members of Fortune Sun (China) Holdings Limited 富陽(中國)控股有限公司
(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 35 to 96, which comprise the consolidated and Company's balance sheets as at 31 December 2008, 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.

AUDITORS' 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 auditors' 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 auditors consider 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.

INDEPENDENT AUDITORS' REPORT

BASIS FOR DISCLAIMER OF OPINION - FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

1. LITIGATIONS

In December 2008, as a result of the default by Shanghai Fu Yang Property Consultant Co., Ltd. ("Shanghai Fortune Sun"), the principal wholly-owned subsidiary of the Group, in the refund of the outstanding deposits of approximately RMB15,616,000 (the "Deposit Amount") which were previously paid by the two individual customers (the "Plaintiffs") through Shanghai Fortune Sun to the original property developer, the Plaintiffs filed two writs against Shanghai Fortune Sun to the court in Shanghai (the "Litigations"). The total amount claimed by the Plaintiffs (the "Claimed Amount") includes (i) approximately RMB21,012,000 which represents the Deposit Amount and the related default interest of approximately RMB5,396,000 accrued up to 31 December 2008, and (ii) any default interest accrued after 31 December 2008 and up to the delivery of judgement, together with the cost of the Litigations. The Deposit Amount is the outstanding refundable consideration of certain properties in Shanghai sold to the Plaintiffs in May 2008 where Shanghai Fortune Sun acted as a sale agent. The Deposit Amount and the related default interest of approximately RMB5,396,000 accrued up to 31 December 2008 has been recognised as other payables in the consolidated balance sheet as at 31 December 2008. In January and February 2009, the court in Shanghai issued two charging orders to freeze a bank account of Shanghai Fortune Sun.

In October 2008, Shanghai Fortune Sun entered into an agreement with a third party (the "Investment Partner") to act as the principal sale and consultancy agents for this project in Shanghai. The Investment Partner has unconditionally agreed to undertake the obligations for the refund of the Deposit Amount and assume any liabilities of the default compensation and interests arising from any related legal proceedings by the Plaintiffs against Shanghai Fortune Sun (the "Indemnified Liabilities"). The agreement by the Investment Partner to pay the Group the Deposit Amount and the related default interest of approximately RMB5,396,000 accrued up to 31 December 2008 has been recognised as other receivables in the consolidated balance sheet as at 31 December 2008.

The directors expect the Litigations to be heard in the first half of 2009 and have sought the legal advice from the Company's PRC legal advisers in this aspect. Based on the legal opinion issued by its PRC legal advisers in March 2009, Shanghai Fortune Sun, in principle, has the legal obligations to repay at least the Deposit Amount to the Plaintiffs. In light of the Group's available working capital as at 31 December 2008 which may not be easily and readily realised as cash held on hand to repay the Claimed Amount and so far as the operating results subsequent to the year end are concerned, should the outcome of the Litigations be unfavourable to the Group, the Group has to place its reliance heavily on the Investment Partner's financial ability to repay Shanghai Fortune Sun the Indemnified Liabilities in full and in a timely manner. In the event that the Investment Partner is unable to repay Shanghai Fortune Sun the Indemnified Liabilities in full and in a timely manner if any of the Litigations are decided unfavourably, it is unlikely that the Group is able to operate as a going concern as a result of the likely outcome of the Litigations.

INDEPENDENT AUDITORS' REPORT

2. CASH FLOW FORECAST WITH CERTAIN UNDERLYING ASSUMPTIONS

In addition to the Litigations, the Group incurred a loss attributable to the equity holders of the Company of RMB48,265,000 and had a net cash outflow from operating activities of RMB49,478,000 for the year ended 31 December 2008. As at 31 December 2008, the Group's cash and cash equivalents amounted to RMB19,289,000. As more fully detailed in note 3.1(b) to the financial statements, in light of the tight working capital available and cash held on hand as at 31 December 2008, the directors have prepared a cash flow forecast for the next twelve months (the "Cash Flow Forecast") based on certain underlying assumptions including a timely recovery of the property market conditions in the People's Republic of China in the next twelve months, timely repayment schedules from the property developers on the trade deposits as well as the estimated agency income (the "Assumptions"). Based on the results of the Cash Flow Forecast, the directors prepare the financial statements on a going concern basis. The validity of the going concern basis of preparation depends on how accurate the directors are in estimating all the Assumptions.

The financial statements do not include any adjustments that may be necessary should the Investment Partner be unable to repay the Indemnified Liabilities to Shanghai Fortune Sun in full and in a timely manner and should any of the Assumptions turn out to be invalid. We consider that appropriate disclosures have been made in the financial statements concerning this situation, but we consider that these fundamental uncertainties relating to whether the going concern basis is appropriate are so extreme that we have disclaimed our opinion.

INDEPENDENT AUDITORS' REPORT

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we do not express an opinion on the financial statements as to whether they give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

22 April 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Revenue	5	**23,005**	97,942
Business tax and other levies		**(1,088)**	(4,796)
Cost of services		**(35,183)**	(45,215)
Gross (loss)/profit		**(13,266)**	47,931
Other income	6	**1,188**	2,318
Operating and administrative expenses		**(37,667)**	(21,831)
(Loss)/Profit before income tax	7	**(49,745)**	28,418
Income tax credit/(expense)	8	**1,408**	(6,761)
(Loss)/Profit for the year		**(48,337)**	21,657
(Loss)/Profit attributable to:			
Equity holders of the Company	9	**(48,265)**	22,646
Minority interests		**(72)**	(989)
(Loss)/Profit for the year		**(48,337)**	21,657
Dividends attributable to the year, declared after the balance sheet date	10(a)	**N/A**	4,682
Dividends attributable to the previous financial year, approved during the year	10(b)	**4,682**	4,747
(Loss)/Earnings per share for (loss)/profit attributable to equity holders of the Company			
– Basic (RMB: cents)	11(a)	**(24.10)**	11.32
– Diluted (RMB: cents)	11(b)	**N/A**	11.27

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**1,225**	1,596
Investment properties	17	**1,497**	5,032
Prepaid premium for land leases	18	**1,766**	4,950
Deposits for investment properties and prepaid premium for land leases	19	**3,123**	–
Golf club membership	20	**291**	291
		7,902	11,869
Current assets			
Trade receivables	21	**27,200**	42,307
Trade deposits	22	**43,016**	38,341
Prepayments and other deposits		**6,118**	7,015
Other receivables	23	**31,866**	4,356
Tax prepaid		**363**	–
Cash and cash equivalents	24	**19,289**	73,009
		127,852	165,028
Current liabilities			
Accrued expenses and other payables	25	**25,535**	9,882
Tax payables		**–**	4,368
		25,535	14,250
Net current assets		**102,317**	150,778
Total assets less current liabilities		**110,219**	162,647
Non-current liabilities			
Deferred tax liabilities	26	**4,668**	6,059
Net assets		**105,551**	156,588

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
CAPITAL AND RESERVES			
Share capital	27	**20,644**	20,624
Reserves	29	**84,907**	135,892
Equity attributable to equity holders of the Company		**105,551**	156,516
Minority interests		**–**	72
Total equity		**105,551**	156,588

Chang Hsiu Hua
Director

Han Lin
Director

BALANCE SHEET

As at 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**27**	169
Interests in subsidiaries	15	**497**	497
		524	666
Current assets			
Prepayments and other deposits		**307**	159
Amounts due from subsidiaries	15	**55,931**	57,165
Cash and cash equivalents	24	**784**	2,063
		57,022	59,387
Current liabilities			
Accrued expenses and other payables		**477**	908
Amounts due to a subsidiary	15	**4,820**	6,099
		5,297	7,007
Net current assets		**51,725**	52,380
Net assets		**52,249**	53,046
CAPITAL AND RESERVES			
Share capital	27	**20,644**	20,624
Reserves	29	**31,605**	32,422
Total equity		**52,249**	53,046

Chang Hsiu Hua
Director

Han Lin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Equity attributable to equity holders of the Company									
	Share capital	Share premium	Merger reserve	Reserve fund	Employee share-based compensation reserve	Exchange reserve	Retained profits	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
1 January 2007	20,600	49,381	14,554	13,511	1,197	(840)	40,486	138,889	1,061	139,950
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	–	–	(1,416)	–	(1,416)	–	(1,416)
Profit for the year	–	–	–	–	–	–	22,646	22,646	(989)	21,657
Total recognised income and expense for the year	–	–	–	–	–	(1,416)	22,646	21,230	(989)	20,241
Issue of shares upon exercise of share options	24	267	–	–	(97)	–	–	194	–	194
Employee share option benefits	–	–	–	–	950	–	–	950	–	950
Appropriations	–	–	–	3,110	–	–	(3,110)	–	–	–
Dividends	–	(4,747)	–	–	–	–	–	(4,747)	–	(4,747)
Balance as at 31 December 2007 and 1 January 2008	20,624	44,901	14,554	16,621	2,050	(2,256)	60,022	156,516	72	156,588
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	–	–	173	–	173	–	173
Loss for the year	–	–	–	–	–	–	(48,265)	(48,265)	(72)	(48,337)
Total recognised income and expense for the year	–	–	–	–	–	173	(48,265)	(48,092)	(72)	(48,164)
Issue of shares upon exercise of share options (note 27)	20	214	–	–	(79)	–	–	155	–	155
Employee share option benefits	–	–	–	–	1,654	–	–	1,654	–	1,654
Dividends (note 10(b))	–	(4,682)	–	–	–	–	–	(4,682)	–	(4,682)
Balance as at 31 December 2008	**20,644**	**40,433**	**14,554**	**16,621**	**3,625**	**(2,083)**	**11,757**	**105,551**	**–**	**105,551**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Cash flows from operating activities			
(Loss)/Profit before income tax		**(49,745)**	28,418
Adjustments for:			
Interest income	6	**(355)**	(703)
(Gain)/Loss on disposals of property, plant and equipment	6 & 7	**(3)**	33
(Gain)/Loss on disposals of investment properties (including prepaid premium for land leases)	6 & 7	**(830)**	25
Provision for/(Write-back of) impairment loss for trade deposits	6 & 7	**4,633**	(1,189)
Write-back of impairment loss of other receivables	6	**–**	(183)
Amortisation of prepaid premium for land leases	7	**98**	102
Depreciation of property, plant and equipment	7	**570**	812
Depreciation of investment properties	7	**103**	114
Impairment loss on goodwill	7	**–**	190
Provision for impairment loss of trade receivables	7	**7,101**	254
Write-off of investment properties (including prepaid premium for land leases) due to loss of legal titles	7	**3,575**	–
Employee share option benefits	12	**1,654**	950
Exchange realignment		**–**	(1,362)
Operating (loss)/profit before working capital changes		**(33,199)**	27,461
Decrease in trade receivables		**4,883**	7,290
Increase in trade deposits		**(9,308)**	(8,294)
Decrease/(Increase) in prepayments and other deposits		**897**	(1,047)
Increase in other receivables		**(6,498)**	(2,057)
Decrease in accrued expenses and other payables		**(1,894)**	(8,847)
Cash (used in)/generated from operations		**(45,119)**	14,506
Interest received		**355**	703
PRC enterprise income tax paid, net		**(4,714)**	(3,618)
Net cash (used in)/generated from operating activities		**(49,478)**	11,591

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Cash flows from investing activities			
Purchases of property, plant and equipment	14	**(438)**	(213)
Purchases of investment properties (including prepaid premium for land leases)	17&18	**(103)**	(1,446)
Sale proceeds from disposals of property, plant and equipment		**232**	28
Sale proceeds from disposals of investment properties (including prepaid premium for land leases)		**411**	400
Net cash generated from/(used in) investing activities		**102**	(1,231)
Cash flows from financing activities			
Proceeds from shares issued under Pre-IPO Share Option Scheme		**155**	187
Dividends paid	10(b)	**(4,682)**	(4,747)
Net cash used in financing activities		**(4,527)**	(4,560)
Foreign exchange difference		**183**	–
Net (decrease)/increase in cash and cash equivalents		**(53,720)**	5,800
Cash and cash equivalents at 1 January		**73,009**	67,209
Cash and cash equivalents at 31 December	24	**19,289**	73,009

Major non-cash transactions:

1. During the year, the Group acquired 7 properties, the purchase consideration, amounting to RMB3,123,000, of which were credited to trade receivable account (amount due from the developers).

2. Under the litigation case (note 33), the investment partner (classified as other receivables) bears the amount of RMB21,012,000, which represents the outstanding deposit and the related default interest accrued up to 31 December 2008, that the Group will be liable to pay to the property buyers (classified as other payables).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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. Its registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's 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 its head office is located at Units 01-08, Level 31, China Insurance Building, No.166 Lujiazui East Road, Pudong New District, Shanghai 200120, the People's Republic of China (the "PRC"). The Company's shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company and its subsidiaries are referred to as the "Group" hereinafter.

The principal activity of the Company is investment holding. The Group's subsidiaries are principally engaged in providing property consultancy and agency services for the primary property market in the PRC. Details of the activities of its principal subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the Group's operations during the year.

The financial statements are presented in Renminbi ("RMB") which is the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise stated.

The financial statements on pages 35 and 96 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term include all applicable individual Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretation ("Int") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

The financial statements for the year ended 31 December 2008 were approved for issue by the board of directors on 22 April 2009.

2. ADOPTION OF NEW AND AMENDED HKFRSs

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Company's financial statements for the annual period beginning on 1 January 2008.

HK(IFRIC) - Int 11	HKFRS 2: Group and Treasury Share Transactions
HKAS 39 (Amendments)	Reclassification of Financial Assets

The new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior year adjustment is required.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

2. ADOPTION OF NEW AND AMENDED HKFRSs *(Continued)*

At the date of authorisation of these financial statements, the following new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 1, HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendment)	Eligible Hedged Items[2]
HKFRS 1 (Revised)	First-time adoption of HKFRSs[2]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate[1]
HKFRS 2 (Amendment)	Share-based Payment - Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 7 (Amendment)	Financial Instruments Disclosures - Improving Disclosures about Financial Instruments[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) - Int 2	Members' Shares in Co-operative Entities and Similar Instruments[1]
HK(IFRIC) - Int 9 (Amendment)	Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement - Embedded Derivatives[6]
HK(IFRIC) - Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners[2]
HK(IFRIC) - Int 18	Transfers of Assets from Customers[2]
Various - Annual Improvements to HKFRS 2008[5]	

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 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRS
6 Effective for annual periods ending on or after 30 June 2009

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Amongst these new standards and interpretations, HKAS 1 (Revised) Presentation of Financial Statements is expected to materially change the presentation of the Group's financial statements. These amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). These amendments do not affect the financial position or results of the Group but will give rise to additional disclosures.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

2. ADOPTION OF NEW AND AMENDED HKFRSs *(Continued)*

In addition, HKFRS 8 Operating Segments may result in new or amended disclosures. The directors of the Company are in the process of identifying reportable operating segments as defined in HKFRS 8.

The directors are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

The significant accounting policies that have been used in the preparation of the financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared under the historical cost convention. The measurement bases are fully described in the accounting policies below.

In preparing the financial statements, the directors have given consideration to the liquidity of the Group and its ability to meet its ongoing obligations in light of its financial position as at 31 December 2008, with particular considerations of the following:

(a) Litigations

In December 2008, as a result of the default by Shanghai Fu Yang Property Consultant Co., Ltd. ("Shanghai Fortune Sun"), the principal wholly-owned subsidiary of the Group, in the refund of the outstanding deposits of approximately RMB15,616,000 (the "Deposit Amount") which were previously paid by the two individual customers (the "Plaintiffs") through Shanghai Fortune Sun to the original property developer, the Plaintiffs filed two writs against Shanghai Fortune Sun to the court in Shanghai (the "Litigations").

The total amount claimed by the Plaintiffs (the "Claimed Amount") includes (i) approximately RMB21,012,000 which represents the Deposit Amount and the related default interest of approximately RMB5,396,000 accrued up to 31 December 2008, and (ii) any default interest accrued after 31 December 2008 and up to the delivery of judgment, together with the cost of the Litigations. The Deposit Amount is the outstanding refundable consideration of certain properties in Shanghai sold to the Plaintiffs in May 2008 where Shanghai Fortune Sun acted as a sale agent. The Deposit Amount and the related default interest of approximately RMB5,396,000 accrued up to 31 December 2008 has been recognised as other payables in the consolidated balance sheet as at 31 December 2008. In January and February 2009, the court in Shanghai issued two charging orders to freeze a bank account of Shanghai Fortune Sun.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 BASIS OF PREPARATION *(Continued)*

(a) Litigations *(Continued)*

In October 2008, Shanghai Fortune Sun entered into an agreement with a third party (the "Investment Partner") to act as the principal sale and consultancy agents for this project in Shanghai. The Investment Partner has unconditionally agreed to undertake the obligations for the refund of the Deposit Amount and assume any liabilities of the default compensation and interests arising from any related legal proceedings by the Plaintiffs against Shanghai Fortune Sun (the "Indemnified Liabilities"). The agreement by the Investment Partner to pay the Group the Deposit Amount and the related default interest of approximately RMB5,396,000 accrued up to 31 December 2008 has been recognised as other receivables in the consolidated balance sheet as at 31 December 2008.

The directors expect the Litigations to be heard in the first half of 2009 and have sought the legal advice from the Company's PRC legal advisers in this aspect. Based on the legal opinion issued by its PRC legal advisers in March 2009, Shanghai Fortune Sun, in principle, has the legal obligations to repay at least the Deposit Amount to the Plaintiffs. In light of the Group's available working capital as at 31 December 2008 which may not be easily and readily realised as cash held on hand to repay the Claimed Amount and so far as the operating results subsequent to the year end are concerned, should the outcome of the Litigations be unfavourable to the Group, the Group has to place its reliance heavily on the Investment Partner's financial ability to repay Shanghai Fortune Sun the Indemnified Liabilities in full and in a timely manner. The directors believe that the Investment Partner is able to repay the Indemnified Liabilities to the Plaintiffs in full and in a timely manner if any of the Litigations are decided unfavourably and that the Group is able to be operated as a going concern as a result of the likely outcome of the Litigations.

(b) Cash flow forecast with certain underlying assumptions

In addition to the Litigations, the Group incurred a loss attributable to the equity holders of the Company of RMB48,265,000 (2007: a profit of RMB22,646,000) and had a net cash outflow from operating activities of RMB49,478,000 for the year ended 31 December 2008 (2007: a net cash inflow of RMB11,591,000). As at 31 December 2008, the Group's cash and cash equivalents amounted to RMB19,289,000 (2007: RMB73,009,000). These conditions indicate the existence of material uncertainty which may cast significant doubts on the Group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. In light of these conditions, the directors have prepared a cash flow forecast for the next twelve months (the "Cash Flow Forecast") based on the key underlying assumptions (the "Assumptions") which include the following:

(i) there will be a timely recovery of the property market conditions in the PRC in the next twelve months;

(ii) there will be timely repayment schedules from the property developers on the trade deposits as well as the estimated agency income;

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 BASIS OF PREPARATION *(Continued)*

(b) Cash flow forecast with certain underlying assumptions *(Continued)*

(iii) the directors will adopt a series of cost control measures to reduce various cost of services; and

(iv) the directors will dispose of all of the investment properties of the Group when required.

Based on the results of the Cash Flow Forecast, the directors are of the opinion that the Group is able to generate sufficient cash flows from its operations.

As the directors believe that the Investment Partner is able to repay Shanghai Fortune Sun the Indemnified Liabilities in full and in a timely manner if any of the Litigations are decided unfavourably and in view of the results of the Cash Flow Forecast, the financial statements are prepared on a going concern basis.

Should the Group be unable to generate sufficient cash flows in accordance with the Cash Flow Forecast and should the Investment Partner be unable to repay Shanghai Fortune Sun the Indemnified Liabilities in full and in a timely manner, the Group might not be able to continue its business as a going concern. Accordingly, adjustments would have to be made in the financial statements to write down the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not yet been reflected in the financial statements.

It should be noted that accounting estimates and assumptions are used in the preparation of the 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 4.

3.2 BASIS OF CONSOLIDATION

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 SUBSIDIARIES AND MINORITY INTERESTS

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less impairment loss. The results of the subsidiaries are accounted for by the Company's on the basis of dividends received and receivable at the balance sheet date.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 TRANSLATION OF FOREIGN CURRENCIES

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the balance sheet date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the exchange reserve in equity.

Other exchange differences arising from the translation of the net investment are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

3.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

Property, plant and equipment 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 method. Estimated useful lives of property, plant and equipment used for this purpose are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The assets' estimated residual values, depreciation methods and estimated useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

3.6 INVESTMENT PROPERTIES, PREPAID PREMIUM FOR LAND LEASES AND DEPOSITS FOR INVESTMENT PROPERTIES AND PREPAID PREMIUM FOR LAND LEASES

Investment properties are land and buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

When the Group holds a property interests under an operating lease to earn rental income and/or capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and any impairment losses. Depreciation is provided so as to write off the cost of investment property using the straight-line method over their expected useful lives of 40 years or over the lease term after taking into account a residual value of 10%, if shorter.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 INVESTMENT PROPERTIES, PREPAID PREMIUM FOR LAND LEASES AND DEPOSITS FOR INVESTMENT PROPERTIES AND PREPAID PREMIUM FOR LAND LEASES *(Continued)*

Deposit made for the investment properties and prepaid premium for land leases are stated at cost and are transferred to investment properties and prepaid premium for land leases when (i) the local authorities have acknowledged that the registration of the related purchase contracts have been completed at the balance sheet date; and (ii) these properties are substantially completed.

3.7 GOODWILL

Goodwill represents the excess of the cost of a business combination or an investment over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, plus any costs directly attributable to the business combination or investment.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in the income statement.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

3.8 GOLF CLUB MEMBERSHIP

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

3.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment, investment properties, prepaid premium for land leases, golf club membership, interests in subsidiaries and goodwill arising from an acquisition of subsidiary are subject to impairment testing. Goodwill are tested for impairment at least annually. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 IMPAIRMENT OF NON-FINANCIAL ASSETS *(Continued)*

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those of other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflow independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level. Goodwill in particular is allocated to those CGU that are expected to benefit from synergies of the related business combination and represents the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for CGU, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. All remaining impairment loss is charged pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, 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 assessment of time value of money and the risk specific to the asset.

3.10 FINANCIAL ASSETS

The Group's financial assets include trade and other receivables, trade deposits and cash and cash equivalents.

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 for impairment on 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.

Trade and other receivables and trade deposits are classified into the loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 FINANCIAL ASSETS *(Continued)*

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor; or

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 FINANCIAL ASSETS *(Continued)*

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the income statement of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement of the period in which the reversal occurs.

Impairment losses recognised in respect of loans and receivables, whose recovery is considered doubtful but not remote, are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against the loans and receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

3.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.12 FINANCIAL LIABILITIES

The Group's financial liabilities include other payables. These are included in balance sheet line items as accrued expenses and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 FINANCIAL LIABILITIES *(Continued)*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

Other payables and accrued expenses are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

3.13 REVENUE RECOGNITION

Revenue comprises the fair value for the rendering of services and the use by others of the Group's assets yielding interest, net of rebates and discounts. Provided it is probable that economic benefits 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 service is substantially ascertained to the satisfaction of the property developer.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 REVENUE RECOGNITION *(Continued)*

(i) Service income *(Continued)*

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 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-proportion basis using the effective interest method.

3.14 ACCOUNTING FOR INCOME TAXES

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.14 ACCOUNTING FOR INCOME TAXES *(Continued)*

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the year the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.15 OPERATING LEASES

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the income statement on the straight-line method over the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.16 EMPLOYEE BENEFITS

(i) Defined contribution retirement plan obligations

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all employees in Hong Kong. Contributions are made based on 5% of the employees' basic salaries, with a cap of monthly salaries of HK$20,000 and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF scheme.

According to the relevant regulations in the PRC, the subsidiaries of the Group operating in the PRC are required to participate in the state-sponsored retirement plan (the "PRC RB Plan") operated by the respective local municipal government in the PRC. These PRC subsidiaries are required to contribute a certain percentage of the basic salaries of their employees to the PRC RB Plan to fund their retirement benefits. The PRC RB Plan is responsible for the entire pension obligations payable to the retired employees and the Group has no further obligations for the actual pension payments or other post-retirement benefits beyond the employer contributions. Contributions under the PRC RB Plan are charged to the income statement as they become payable in accordance with the rules of the PRC RB Plan.

(ii) Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for unused annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(iii) 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.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.16 EMPLOYEE BENEFITS *(Continued)*

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

All share-based compensation is recognised as an expense in the income statement with a corresponding credit to employee share-based compensation reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium. When the vested share options are lapsed, forfeited or still not exercised at the expiry date, the amount previously recognised in employee share-based compensation reserve will be transferred to retained profits.

3.17 PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when the Group has a present obligation (legal or constructive) 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.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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.

3.18 SHARE CAPITAL

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.19 RELATED PARTIES

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iii) the Group and the party are subject to common control;

(iv) the party is a member of the key management personnel of the Group or is a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

4. 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. The resulting accounting estimates will, by definition, seldom equal the related actual results. In addition to the directors' judgement on preparing the financial statements on a going concern basis (note 3.1), 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.1 DEPRECIATION AND USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Property, plant and equipment and investment properties are depreciated on the straight-line method over the estimated useful lives of the assets. The Group reviews the estimated useful lives of the assets annually to determine the amount of depreciation expense to be recorded during any reporting period. The estimated useful lives reflect the directors' estimate of the period that the Group will derive future economic benefits from the use of the Group's property, plant and equipment and investment properties.

4.2 IMPAIRMENT OF TRADE AND OTHER RECEIVABLES AND TRADE DEPOSITS

Impairment losses on trade and other receivables and trade deposits are assessed and provided based on the management's regular review on the repayment history of its debtors, the current market conditions, ageing analysis and evaluation of their collectability. A considerable level of judgement is exercised by management and it could change significantly as a result of changes in the financial position of the debtors. Management reassesses the amount of impairment allowances of receivables, if any, at each balance sheet date.

4.3 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 property, plant and equipment, investment properties and prepaid premium for land leases 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.

4.4 INCOME TAXES

The Group is subject to income taxes in certain jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such final tax liabilities determination is made.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

5. REVENUE AND TURNOVER

Revenue, which is also the Group's turnover, represents the income from provision of services. Revenue recognised during the year is as follows:

	2008 **RMB'000**	2007 RMB'000
Comprehensive property consultancy and sales agency service projects	**21,985**	97,722
Pure property consultancy service projects	**1,020**	220
	23,005	97,942

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

6. OTHER INCOME

	2008 **RMB'000**	2007 RMB'000
Exchange gains, net	**–**	88
Gain on disposals of property, plant and equipment	**3**	–
Gain on disposals of investment properties (including prepaid premium for land leases) (note 17)	**830**	–
Interest income on financial assets stated at amortised cost	**355**	703
Sundry income	**–**	155
Write-back of provision for impairment of		
– Trade deposits (note 22)	**–**	1,189
– Other receivables	**–**	183
	1,188	2,318

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

7. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/Profit before income tax is arrived at after charging the following:

	2008	2007
	RMB'000	RMB'000
Auditors' remuneration	**691**	768
Amortisation of prepaid premium for land leases	**98**	102
Depreciation of property, plant and equipment (note)	**570**	812
Depreciation of investment properties	**103**	114
Exchange losses, net	**97**	–
Impairment loss on goodwill (note 16)	**–**	190
Loss on disposals of property, plant and equipment	**–**	33
Loss on disposals of investment properties (including prepaid premium for land leases)	**–**	25
Write-off of investment properties (including prepaid premium for land leases) due to loss of legal titles (note 17)	**3,575**	–
Employee benefit expense (including directors' emolument) (note 12)	**14,228**	13,290
Operating lease rentals in respect of buildings	**5,103**	5,878
Provision for impairment on		
– Trade receivables (as in operating and administrative expenses) (note 21)	**7,101**	254
– Trade deposits (as in operating and administrative expenses) (note 22)	**4,633**	–

Note: Depreciation of RMB32,000 (2007: RMB8,000) and RMB538,000 (2007: RMB804,000) has been included in cost of services and operating and administrative expenses respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

8. INCOME TAX CREDIT/(EXPENSE)

	2008 RMB'000	2007 RMB'000
Current income tax - PRC enterprise income tax		
– Tax for the year	–	(6,059)
– Over/(Under)-provision in prior years	17	(96)
	17	(6,155)
Deferred tax liabilities (note 26)		
– Reversal of temporary difference for the year	1,709	404
– Difference in deferred tax liabilities arising from the change of tax rate	(318)	(1,010)
	1,391	(606)
Total income tax credit/(expense)	1,408	(6,761)

No provision for Hong Kong profits tax has been provided in the financial statements as the Group had no assessable profit arising in Hong Kong in 2007 and 2008.

The Company and its subsidiaries, namely Millstone Developments Limited ("Millstone"), High Color Investments Limited ("High Color"), Full Sincerity Advertising Company Limited ("Full Sincerity") and Fortune Sun Assets Management Company Limited, are not subject to income tax during the year (2007: Nil) as there are no assessable profits for these companies in 2007 and 2008.

The Company's PRC operating subsidiaries, namely Shanghai Fortune Sun and Cornerstone Investment Management & Consultancy Co., Limited (formerly known as SinoCity Asset Management Consultancy (Shanghai) Limited) ("Cornerstone"), are foreign-invested enterprises registered in Pudong New District of Shanghai, the PRC. Both Shanghai Fortune Sun and Cornerstone were subject to a preferential tax rate of 15% PRC enterprise income tax for the year ended 31 December 2007.

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the PRC New Corporate Income Tax Law was approved and became effective from 1 January 2008. The PRC New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the corporate income tax rates for domestic-invested and foreign-invested enterprises at 25%. As a result, the applicable income tax rate of all PRC subsidiaries within the Group has changed to 25% with effect from 1 January 2008. According to the Notice on the Implementation Rules of the Grandfathering Relief under the PRC New Corporate Income Tax Law, Guofa (2007) No. 39 issued on 26 December 2007 by the State Council, the transitional treatment for the preferential enterprise income tax rate of 15% under the old laws, applicable to the foreign-invested enterprises registered in Pudong New District of Shanghai is 18% in 2008 and the applicable tax rate shall gradually increase from 18% to 25% from 2008 to 2012. The directors are confident that the Grandfathering Relief Ruling is also applicable to both Shanghai Fortune Sun and Cornerstone. Accordingly, Shanghai Fortune Sun and Cornerstone are subject to 18% PRC enterprise income tax during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

8. INCOME TAX CREDIT/(EXPENSE) *(Continued)*

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.

Reconciliation between income tax (credit)/expense and accounting (loss)/profit at applicable tax rates is as follows:

	2008	2007
	RMB'000	RMB'000
(Loss)/Profit before income tax	**(49,745)**	28,418
Notional tax on (loss)/profit before income tax, calculated at tax rates applicable to (loss)/profit in the countries concerned	**(8,954)**	4,263
Tax effect of non-deductible expenses	**4,010**	1,637
Tax effect of non-taxable revenue	**–**	(289)
Tax effect of unused tax losses not recognised	**3,235**	–
(Over)/Under-provision in prior years	**(17)**	96
Difference in deferred tax liabilities arising from the change of tax rate in 2008	**318**	1,010
Others	**–**	44
Income tax (credit)/expense	**(1,408)**	6,761

9. (LOSS)/PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Of the consolidated loss for the year attributable to the equity holders of the Company of RMB48,265,000 (2007: profit of RMB22,646,000), a profit of RMB2,225,000 (2007: loss of RMB5,159,000) has been dealt with in the financial statements of the Company.

10. DIVIDENDS

(a) DIVIDENDS ATTRIBUTABLE TO THE YEAR

	2008	2007
	RMB'000	RMB'000
No proposed final dividends (2007: HK2.5 cents per share)	**–**	4,682

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

10. DIVIDENDS *(Continued)*

(a) DIVIDENDS ATTRIBUTABLE TO THE YEAR *(Continued)*

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date, but reflected as an appropriation of retained earnings for the year ended 31 December 2008.

On 22 April 2009, the Directors resolved not to recommend the payment of final dividend for the year ended 31 December 2008 to the shareholders of the Company.

(b) DIVIDENDS ATTRIBUTABLE TO THE PREVIOUS FINANCIAL YEAR, APPROVED AND PAID DURING THE YEAR

	2008	2007
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, of HK2.5 cents per share (2007: HK2.4 cents)	**4,682**	4,747

11. (LOSS)/EARNINGS PER SHARE

(a) BASIC (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the consolidated loss attributable to equity holders of the Company of RMB48,265,000 (2007: profit of RMB22,646,000) and on the weighted average of 200,263,758 (2007: 200,080,548) ordinary shares in issue during the year.

(b) DILUTED (LOSS)/EARNINGS PER SHARE

Diluted loss per share for the year ended 31 December 2008 was not presented as the impact of the exercise of the share options was anti-dilutive.

For the year ended 31 December 2007, the calculation of diluted earnings per share was based on the consolidated profit attributable to equity holders of the Company of RMB22,646,000. The weighted average number of ordinary shares used in the diluted earnings per share was calculated based on the weighted average of 200,080,548 ordinary shares in issue during the year plus the weighted average of 788,185 ordinary shares deemed to be issued at no consideration had the Company's share options all been exercised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

12. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2008 RMB'000	2007 RMB'000
Wages and salaries	**10,657**	10,687
Pension costs (defined contribution plan) and other social benefits	**1,917**	1,653
Employee share option benefits	**1,654**	950
	14,228	13,290

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) DIRECTORS' REMUNERATION

	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
2008					
Executive directors:					
Mr. Chiang Chen Feng	–	744	–	37	781
Ms. Chang Hsiu Hua	–	558	–	37	595
Mr. Han Lin	–	350	37	715	1,102
Non-executive director:					
Ms. Lin Chien Ju	165	–	–	37	202
Independent non-executive directors:					
Mr. Ng Wai Hung	143	–	–	37	180
Mr. Cui Shi Wei	154	–	–	36	190
Dr. Cheng Chi Pang	154	–	–	36	190
	616	1,652	37	935	3,240

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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

(a) DIRECTORS' REMUNERATION *(Continued)*

	Fees	Basic salaries and other allowances	Pension costs - defined contribution plan	Employee share option benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2007: Nil).

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office (2007: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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

(b) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year included 3 (2007: 2) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 (2007: 3) individuals during the year are as follows:

	2008 **RMB'000**	2007 RMB'000
Basic salaries and other allowances	**1,261**	1,680
Pension costs - defined contribution plan	**46**	42
Employee share option benefits	**220**	161
	1,527	1,883

The emoluments fell within the following bands:

	Number of individuals	
Emolument bands	**2008**	2007
Nil to HK$1,000,000	**2**	3

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2007: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

14. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Furniture and fixtures RMB'000	Computers RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2007					
Cost	556	1,875	1,632	1,294	5,357
Accumulated depreciation	(353)	(897)	(1,096)	(708)	(3,054)
Net book amount	203	978	536	586	2,303
Year ended 31 December 2007					
Opening net book amount	203	978	536	586	2,303
Additions	11	202	–	–	213
Disposals	(7)	(11)	–	(43)	(61)
Depreciation	(72)	(315)	(299)	(126)	(812)
Exchange realignment	(8)	(9)	(30)	–	(47)
Closing net book amount	127	845	207	417	1,596
At 31 December 2007					
Cost	527	1,991	1,598	1,153	5,269
Accumulated depreciation	(400)	(1,146)	(1,391)	(736)	(3,673)
Net book amount	127	845	207	417	1,596
Year ended 31 December 2008					
Opening net book amount	127	845	207	417	1,596
Additions	**56**	**212**	**–**	**170**	**438**
Disposals	**(14)**	**(104)**	**(111)**	**–**	**(229)**
Depreciation	**(61)**	**(280)**	**(91)**	**(138)**	**(570)**
Exchange realignment	**(3)**	**(2)**	**(5)**	**–**	**(10)**
Closing net book amount	**105**	**671**	**–**	**449**	**1,225**
At 31 December 2008					
Cost	**540**	**1,811**	**1,385**	**1,323**	**5,059**
Accumulated depreciation	**(435)**	**(1,140)**	**(1,385)**	**(874)**	**(3,834)**
Net book amount	**105**	**671**	**–**	**449**	**1,225**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

COMPANY

	Furniture and fixtures	**Computers**	**Leasehold improvements**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007				
Cost	110	67	293	470
Accumulated depreciation	(15)	(7)	(55)	(77)
Net book amount	95	60	238	393
Year ended 31 December 2007				
Opening net book amount	95	60	238	393
Additions	3	9	–	12
Depreciation	(42)	(23)	(137)	(202)
Transfer to a subsidiary	–	(8)	–	(8)
Exchange realignment	(7)	(3)	(16)	(26)
Closing net book amount	49	35	85	169
At 31 December 2007				
Cost	105	63	273	441
Accumulated depreciation	(56)	(28)	(188)	(272)
Net book amount	49	35	85	169
Year ended 31 December 2008				
Opening net book amount	49	35	85	169
Depreciation	**(32)**	**(20)**	**(80)**	**(132)**
Exchange realignment	**(3)**	**(2)**	**(5)**	**(10)**
Closing net book amount	**14**	**13**	**–**	**27**
At 31 December 2008				
Cost	**98**	**59**	**257**	**414**
Accumulated depreciation	**(84)**	**(46)**	**(257)**	**(387)**
Net book amount	**14**	**13**	**–**	**27**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

15. INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES - COMPANY

	2008 RMB'000	2007 RMB'000
Unlisted equity interest, at cost	**497**	497
Amounts due from subsidiaries	**55,931**	57,165
Amounts due to a subsidiary	**(4,820)**	(6,099)

Amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand.

Particulars of the subsidiaries of the Company at 31 December 2008 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	British Virgin Islands ("BVI"), 29 October 2002	100,000 ordinary shares of US$1.00 each	100%	Investment holding
High Color	BVI, 5 July 2002	50,000 ordinary shares of US$1.00 each	100%	Investment holding
Fortune Sun Assets Management Company Limited	BVI,19 March 2008	1 ordinary share of US$1.00 each	100%	Not yet commenced business

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

15. INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES - COMPANY *(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 Fortune Sun (note i)	PRC, 11 April 1997	US$7,500,000 registered capital	100%	Property consultancy and agency services providing for the primary property market in the PRC
Cornerstone (formerly known as SinoCity Asset Management Consultancy (Shanghai) Limited) (notes i and ii)	PRC, 26 September 2006	US$200,000 registered capital	100%	Provision of property consultancy agency and services and fund management in the PRC
Full Sincerity	Taiwan, 27 November 2006	2,000,000 ordinary shares of NT$10 each	75%	Property consultancy and agency services providing for the primary property market in the Taiwan

Note:

(i) A wholly foreign-owned enterprise established in the PRC with limited liability.

(ii) Pursuant to the board resolution held on 5 December 2007, SinoCity Asset Management Consultancy (Shanghai) Limited changed its name to Cornerstone Investment Management & Consultancy Co., Limited. The approval from the relevant PRC authorities was obtained 17 January 2008.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

16. GOODWILL - GROUP

Goodwill represented the excess of the cost of an acquisition made in May 2006 over the fair value of Cornerstone, the Group's former associate in which the Group had indirect equity interests of 45% as at 31 December 2005. Cornerstone became an indirect wholly-owned subsidiary of the Company in May 2006.

The net carrying amount of goodwill can be analysed as follows:

	2008 **RMB'000**	2007 RMB'000
Total purchase consideration	**1,009**	1,009
Fair value of net assets acquired	**(819)**	(819)
	190	190
Less: Accumulated impairment loss	**(190)**	(190)
Net carrying amount	**–**	–

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

In 2007, management of the Group reassessed the status of Cornerstone since its incorporation in September 2005 and was uncertain whether future cash inflows would arise from its status and considered the carrying amounts should be fully impaired in 2007. There was no change in Cornerstone's status during the year.

17. INVESTMENT PROPERTIES - GROUP

All of the Group's property interests are held to earn rentals or for capital appreciation purposes. These are measured using the cost model and classified and accounted for as investment properties.

No income or direct operating expenses were recognised during the year (2007: Nil) as all investment properties were not leased to other parties during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

17. INVESTMENT PROPERTIES - GROUP *(Continued)*

The Group's interests in investment properties at their carrying amount are analysed as follows:

	2008 **RMB'000**	2007 RMB'000
Outside Hong Kong, held on		
Leases of over 50 years	**933**	4,304
Leases of between 10 to 50 years	**564**	728
	1,497	5,032

	RMB'000
At 1 January 2007	
Cost	4,957
Accumulated amortisation	(95)
Net book amount	4,862
Year ended 31 December 2007	
Opening net book amount	4,862
Additions	529
Amortisation	(114)
Disposals	(245)
Closing net book amount	5,032
At 31 December 2007	
Cost	5,230
Accumulated amortisation	(198)
Net book amount	5,032
Year ended 31 December 2008	
Opening net book amount	5,032
Additions	**103**
Amortisation	**(103)**
Disposals	**(3,535)**
Closing net book amount	**1,497**
At 31 December 2008	
Cost	**1,576**
Accumulated amortisation	**(79)**
Net book amount	**1,497**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

17. INVESTMENT PROPERTIES - GROUP *(Continued)*

As at 31 December 2007, the Group was in the process of applying for the property ownership certificates for the investment properties and the prepaid premium for land leases (note 18) with a carrying value of RMB5,883,000. During the year, the Group has obtained all these property ownership certificates.

During the year, the Group disposed of six of its investment properties with a carrying value of RMB3,046,000 including the corresponding land premium portion (note 18) at a consideration of RMB3,876,000 resulting in a total gain of RMB830,000 on disposals.

During the year, eight of the Group's investment properties in Beijing were derecognised due to the loss of legal title on these properties after the Group had appointed a property agent, to sell its properties, who was found to commit a fraudulent act to falsify the property ownership certificates of these investment properties to the Group in previous years. The Group has reported this matter to the relevant authorities in the PRC which is now investigating the case. As the Group has already lost the legal title on these properties and the related amount is not likely to be recoverable from the property agent, these investment properties with a carrying value of RMB3,575,000, inclusive of the corresponding land premium portion (note 18), were fully written off accordingly.

An independent professionally qualified valuers, BMI Appraisals Limited, is of the opinion that, had investment properties been carried at their fair values, the amounts, would be RMB3,381,000 (2007: together with the land premium portion would be RMB15,240,000). BMI Appraisals Limited is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar properties in recent locations. Valuations were based on current prices in an active market for all properties.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

18. PREPAID PREMIUM FOR LAND LEASES - GROUP

	Leases of between 10 to 50 years RMB'000	Leases over 50 years RMB'000	Total RMB'000
At 1 January 2007			
Cost	376	4,022	4,398
Accumulated amortisation	(8)	(75)	(83)
Net book amount	368	3,947	4,315
Year ended 31 December 2007			
Opening net book amount	368	3,947	4,315
Additions	917	–	917
Amortisation	(12)	(90)	(102)
Disposals	(180)	–	(180)
Closing net book amount	1,093	3,857	4,950
At 31 December 2007			
Cost	1,105	4,022	5,127
Accumulated amortisation	(12)	(165)	(177)
Net book amount	1,093	3,857	4,950
Year ended 31 December 2008			
Opening net book amount	1,093	3,857	4,950
Amortisation	**(22)**	**(76)**	**(98)**
Disposals	**(178)**	**(2,908)**	**(3,086)**
Closing net book amount	**893**	**873**	**1,766**
At 31 December 2008			
Cost	**917**	**931**	**1,848**
Accumulated amortisation	**(24)**	**(58)**	**(82)**
Net book amount	**893**	**873**	**1,766**

All prepaid premium for land leases relates to the investment properties (note 17) located in the PRC. Details of the disposals of prepaid premium for land leases are set out in note 17 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

19. DEPOSITS FOR INVESTMENT PROPERTIES AND PREPAID PREMIUM FOR LAND LEASES - GROUP

In December 2008, the Group acquired 7 properties which comprise 6 residential units and 1 car parking space at a consideration of RMB3,123,000. These properties are held with a view for capital appreciation purposes. The Group has obtained the property ownership certificates for all these properties in March 2009. The balance will be transferred to investment properties in 2009.

20. GOLF CLUB MEMBERSHIP - GROUP

Based on the information obtained from the golf club which issues the membership, the membership admission fee as at 31 December 2008 was US$180,000 (2007: US$180,000). No impairment provision was required.

21. TRADE RECEIVABLES - GROUP

	2008 **RMB'000**	2007 RMB'000
Trade receivables	**34,239**	44,296
Less: Provision for impairment	**(7,039)**	(1,989)
	27,200	42,307

The gross amount due from customers at 31 December 2008 that was expected to be recovered after more than one year was RMB13,038,000 (2007: Nil).

Impairment loss of trade receivables is made after the directors have considered the timing and probability of the collection. In the opinion of the directors, the carrying amount of trade receivables approximates to their fair value. The fair values are based on cash flows discounted using a rate based on the market interest rate of 10% (2007: 10%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

21. TRADE RECEIVABLES - GROUP *(Continued)*

The credit period granted to trade customers generally ranges from 1 month to 3 months. Based on the billing summary, ageing analysis of the trade receivables (net of provision for impairment) is as follows:

	2008	2007
	RMB'000	RMB'000
Within 90 days	**1,346**	19,327
Between 91 and 180 days	**1,336**	3,414
Between 181 and 365 days	**8,651**	5,265
Between 1 and 2 years	**9,878**	13,648
Over 2 years	**5,989**	653
	27,200	42,307

Movement in the provision for impairment of trade receivables is as follows:

	2008	2007
	RMB'000	RMB'000
At 1 January	**1,989**	1,735
Amount written off during the year	**(2,051)**	–
Impairment loss recognised	**7,101**	254
At 31 December	**7,039**	1,989

At each balance sheet date, the Group reviews receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2008, the Group has determined trade receivables of RMB7,039,000 (2007: RMB1,989,000) as individually impaired. Based on this assessment, specific impairment loss of RMB7,101,000 (2007: RMB254,000) and amount written off of RMB2,051,000 (2007: Nil) has been recognised. The impaired trade receivables are due from the individual customers which are experiencing financial difficulties and are in default or delinquency of payments.

The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

21. TRADE RECEIVABLES - GROUP *(Continued)*

Ageing analysis of the Group's trade receivables that were past due as at the balance sheet date but not impaired, based on due date is as follows:

	2008 RMB'000	2007 RMB'000
Neither past due nor impaired	**1,346**	19,327
1 - 3 months past due	**1,336**	3,414
4 - 9 months past due	**8,651**	5,265
10 - 21 months past due	**9,878**	13,648
Over 21 months past due	**5,989**	653
	25,854	22,980
	27,200	42,307

Trade receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a number of diversified customers that have a good track record with the Group. Based on past experience, management believes that no further impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered to be fully recoverable.

22. TRADE DEPOSITS - GROUP

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

	2008 RMB'000	2007 RMB'000
Trade deposits	**52,449**	43,142
Less: Provision for impairment	**(9,433)**	(4,801)
	43,016	38,341

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

22. TRADE DEPOSITS - GROUP *(Continued)*

The gross amount at 31 December 2008 that was expected to be recovered after more than one year was RMB40,566,000 (2007: RMB8,400,000).

Impairment loss of trade deposits is made after the directors have considered the timing of the collection. In the opinion of the directors, the carrying amount of trade deposits approximates to their fair value. The fair values are based on cash flows discounted using a rate based on the market interest rate of 15% (2007: 18%).

No credit period is granted to the developers. These trade deposits are refundable when the prescribed terms in the underlying agency contracts are achieved. Based on the payment date, ageing analysis of trade deposits (net of provision for impairment) at the balance sheet date is as follows:

	2008 **RMB'000**	2007 RMB'000
Within 90 days	**94**	811
Between 91 and 180 days	**489**	4,376
Between 181 and 365 days	**18,037**	12,823
Between 1 to 2 years	**13,269**	14,860
Between 2 to 3 years	**9,731**	194
Over 3 years	**1,396**	5,277
	43,016	38,341

Movement in the provision for impairment of trade deposits is as follows:

	2008 **RMB'000**	2007 RMB'000
At 1 January	**4,800**	5,990
Impairment loss recognised	**4,633**	–
Impairment loss written back	**–**	(1,189)
At 31 December	**9,433**	4,801

At each balance sheet date, the Group reviews the trade deposits for evidence of impairment on both an individual and collective basis. As at 31 December 2008, the Group has determined trade deposits of RMB9,433,000 (2007: RMB4,801,000) as individually impaired. Based on this assessment, specific impairment loss of RMB4,633,000 (2007: write-back of RMB1,189,000) has been recognised. The impaired trade deposits are due from the individual developers which are experiencing financial difficulties and are in default or delinquency of payments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

22. TRADE DEPOSITS - GROUP *(Continued)*

The Group did not hold any collateral as security or other credit enhancements over the impaired trade deposits, whether determined on an individual or collective basis.

Ageing analysis of the Group's trade deposits that were past due as at the balance sheet date but not impaired, based on due date is as follows:

	2008 **RMB'000**	2007 RMB'000
Neither past due nor impaired	**32,684**	29,857
1 - 3 months past due	**4,148**	4,168
4 - 9 months days past due	**6,184**	4,316
	10,332	8,484
	43,016	38,341

Trade deposits that were neither past due nor impaired related to a large number of diversified developers for whom there was no recent history of default.

Trade deposits that were past due but not impaired related to a number of diversified developers that have a good track record with the Group. Based on past experience, management believes that no further impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable.

23. OTHER RECEIVABLES – GROUP

Included in other receivables are the receivable from the Investment Partner of RMB21,012,000 (notes 3.1 and 33(c)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

24. CASH AND CASH EQUIVALENTS - GROUP AND COMPANY

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**15,289**	43,009	**784**	2,063
Short-term bank deposits	**4,000**	30,000	**–**	–
	19,289	73,009	**784**	2,063
Currencies denominated into:				
RMB (in the PRC)	**18,084**	69,470	**–**	–
US$ (in the PRC)	**12**	15	**–**	–
HK$ (in the PRC)	**11**	11	**11**	11
US$ (outside the PRC)	**80**	11	**–**	–
HK$ (outside the PRC)	**811**	2,964	**773**	2,052
NT$ (outside the PRC)	**291**	538	**–**	–
	19,289	73,009	**784**	2,063

Short-term bank deposits as at 31 December 2008 earn interest at the rate of 1.7% per annum (2007: 2.2%). These deposits were made for varying periods of one week to one month depending on the immediate cash requirements of the Group.

As at 31 December 2008, included in cash and cash equivalents of the Group is RMB18,084,000 (2007: RMB69,470,000) of cash and bank balances denominated in RMB placed with the banks in the PRC. RMB is not a freely convertible currency. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB into foreign currencies through the banks that are authorised to conduct foreign exchange business.

25. ACCRUED EXPENSES AND OTHER PAYABLES - GROUP

Included in accrued expenses and other payables are the payable to the Plaintiffs of RMB21,012,000 (notes 3.1 and 33(c)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

26. DEFERRED TAX LIABILITIES - GROUP

Movements in deferred tax liabilities of the Group during the year are as follows:

	Uninvoiced revenue	Accrued expenses and others	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2007	5,453	–	5,453
Charged to income statement	606	–	606
At 31 December 2007 and 1 January 2008	6,059	–	6,059
Credited to income statement (note 8)	**(1,301)**	**(90)**	**(1,391)**
At 31 December 2008	**4,758**	**(90)**	**4,668**

Deferred taxation is calculated in full on temporary differences under the liability method using a tax rate of 20% (2007: 18%).

The Group has unrecognised tax losses of RMB17,976,000 (2007: Nil) to carry forward against future taxable income. These tax losses will expire in 2013.

27. SHARE CAPITAL - COMPANY

	Number of ordinary shares	Nominal value	
	(in thousand)	HK$'000	RMB'000
Authorised:			
Ordinary shares of HK$0.1 each			
as at 31 December 2007 and 2008	2,000,000	200,000	206,000
Issued and fully paid:			
Balance as at 1 January 2007	200,000	20,000	20,600
Exercise of share options during the year	250	25	24
Balance as at 31 December 2007 and 1 January 2008	200,250	20,025	20,624
Exercise of share options during the year (note 28)	220	22	20
Balance as at 31 December 2008	**200,470**	**20,047**	**20,644**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

27. SHARE CAPITAL - COMPANY *(Continued)*

During the year, the issued share capital of the Company was increased from RMB20,624,000 (2007: RMB20,600,000) to RMB20,644,000 (2007: RMB20,624,000) due to the exercise of share options by the senior management (2007: employees) of the Group. Details of the share options exercised during the year are summarised in note 28.

The share capital of the Company comprises of fully paid ordinary shares with a par value of HK$0.1. All shares are equally eligible to receive dividends and to the repayment of capital and represent one vote at shareholders' meetings of the Company.

28. SHARE-BASED EMPLOYEE COMPENSATION

Pursuant to the Company's resolutions passed by all shareholders on 10 June 2006, a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") was approved with effect from the date of the resolution. The Pre-IPO Share Option Scheme empowered the directors to reward the contribution of directors, senior management, employees, consultants and advisers of the Group to the growth and development of the Group and the listing to the Stock Exchange.

Pursuant to the Company's resolutions passed by all shareholders on 10 June 2006, a post-IPO share option scheme (the "Share Option Scheme") was approved with effect from the date of the resolution. The Share Option Scheme empowered the directors to grant options to selected participants as incentive or reward for their contribution to the Group. The Share Option Scheme remains in force for a period of 10 years commencing from 10 June 2006.

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

The exercise price of the options is to be determined by the directors and shall not be less than the highest of (i) the closing price of the Company's shares as stated on the Stock Exchange's daily quotation sheets on the date of the offer for the 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 the grant of the options; and (iii) the nominal value of the Company's shares on the date of the grant.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

28. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

On 12 March 2008, options to subscribe for an aggregate of 6,000,000 shares of the Company have been granted by the Company to the existing directors and certain key employees of the Group under the Share Option Scheme. For the options granted to vest, persons eligible to participate in this scheme have to remain employed during the vesting period. 50% of the share options vest over the period ending on 11 March 2009 ("Share Option 1") and the remaining share options vest over the period ending on 11 March 2010 ("Share Option 2").

All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

Share options and weighted average exercise price during the year are as follows:

	2008		2007	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at 1 January	**4,850,000**	**0.795**	5,550,000	0.795
Granted	**6,000,000**	**1.120**	–	–
Exercised				
- Pre-IPO share option scheme	**(220,000)**	**0.795**	(250,000)	0.795
Lapsed				
- Pre-IPO Share Option Scheme	**(810,000)**	**0.795**	(450,000)	0.795
- Share Option Scheme	**(550,000)**	**1.120**	–	–
Outstanding at 31 December	**9,270,000**	**0.987**	4,850,000	0.795

The options exercised in 2007 and 2008 resulted in equal numbers of ordinary shares (note 27).

For the year ended 31 December 2008, other than those share options with the rights to subscribe for an aggregate of 1,360,000 (2007: 450,000) ordinary shares of the Company which have lapsed due to cessation of employments of certain employees of the Group, 220,000 options were exercised up to and as at 31 December 2008 (2007: 250,000 options). The weighted average share price of these shares at the date of exercise was HK$1.0 (2007: HK$1.3).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

28. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

There were 3,270,000 (2007: 4,850,000) share options exercisable as at 31 December 2008. The options outstanding as at 31 December 2008 had exercise prices of HK$0.795 to HK$1.12 (2007: HK$0.795) and a weighted average remaining contractual life of 9 years (2007: 9 years).

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

	Pre-IPO Share Option	**Share Option 1**	**Share Option 2**
Option value	HK$0.41	HK$0.671	HK$0.718
Exercise price	HK$0.795	HK$1.12	HK$1.12
Risk-free interest rate	4.84%	2.88%	2.88%
Expected volatility	45%	92%	92%
Dividend yield	3.5%	2.5%	2.5%
Life of options	9 years	10 years	10 years

The underlying expected volatility was determined by reference to historical data, adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends. No special features pertinent to the options granted were incorporated into measurement of fair value. Changes in the subjective input assumptions could materially affect the fair value estimate.

In 2008, an amount of RMB1,654,000 of employee share option benefits was recognised as an expense in the income statement (2007: RMB950,000) with a corresponding credit in employee share-based compensation reserve during the year. No liabilities were recognised due to share-based payment transactions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

29. RESERVES

		Group	
		2008	2007
	Notes	**RMB'000**	RMB'000
Share premium	(a)	**40,433**	44,901
Merger reserve	(b)	**14,554**	14,554
Reserve fund	(c)	**16,621**	16,621
Employee share-based compensation reserve		**3,625**	2,050
Exchange reserve		**(2,083)**	(2,256)
Retained profits		**11,757**	60,022
		84,907	135,892

Note:

(a) Under the Companies Law (Revised) of the Cayman Islands, share premium of the Company is available for distribution or paying dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

(b) 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 2006.

(c) 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 kisses or increase capital.

Movements of the Group's reserves in 2007 and 2008 are presented in the consolidated statement of changes in equity on page 39 of this report.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

29. RESERVES *(Continued)*

	Company				
	Share premium	Employee share-based compensation reserve	Exchange reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2007	49,381	1,197	(1,985)	(2,549)	46,044
Issue of ordinary shares upon exercise of share options	267	(97)	–	–	170
Employee share option benefit	–	950	–	–	950
Currency translation differences	–	–	(4,836)	–	(4,836)
Loss for the year	–	–	–	(5,159)	(5,159)
Dividends (note 10(b))	(4,747)	–	–	–	(4,747)
Balance as at 31 December 2007 and 1 January 2008	44,901	2,050	(6,821)	(7,708)	32,422
Issue of ordinary shares upon exercise of share options (note 28)	**214**	**(79)**	**–**	**–**	**135**
Employee share option benefits	**–**	**1,654**	**–**	**–**	**1,654**
Currency translation differences	**–**	**–**	**(149)**	**–**	**(149)**
Profit for the year	**–**	**–**	**–**	**2,225**	**2,225**
Dividends (note 10(b))	**(4,682)**	**–**	**–**	**–**	**(4,682)**
Balance at 31 December 2008	**40,433**	**3,625**	**(6,970)**	**(5,483)**	**31,605**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

30. OPERATING LEASE COMMITMENTS

At 31 December 2008, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings payable by the Group and the Company are as follows:

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**3,048**	4,476	**617**	313
In the second to fifth years	**1,051**	2,708	**411**	–
	4,099	7,184	**1,028**	313

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

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose itself to a number of financial risks: credit risk, market risk (including foreign currency risk and interest rate risk) and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the Group's financial performance on a timely and effective manner.

The Group does not have written risk management policies and guidelines. The Group's risk management is coordinated at its headquarter, in close monitor with management, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets as well as analyse and formulate measures to manage the Group's exposure to market risks, including changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management. The Group does not engage in the trading of financial assets for speculative purposes for the year. The most significant financial risks to which the Group is exposed are described below.

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of the Group's financial assets and liabilities as recognised at the balance sheet dates may also be categorised as follows. See notes 3.10 and 3.12 for explanations about how the category of instruments affects their subsequent measurement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES *(Continued)*

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Loans and receivables				
– Trade receivables	**27,200**	42,307	**–**	–
– Trade deposits	**43,016**	38,341	**–**	–
– Other deposits	**1,016**	837	**179**	–
– Other receivables	**31,866**	4,356	**–**	–
– Cash and cash equivalents	**19,289**	73,009	**784**	2,063
– Amounts due from subsidiaries	**–**	–	**55,931**	57,165
	122,387	158,850	**56,894**	59,228
Financial liabilities				
Financial liabilities measured at amortised cost				
– Other payables	**25,535**	9,882	**477**	908
– Amounts due to a subsidiary	**–**	–	**4,820**	6,099
	25,535	9,882	**5,297**	7,007

CREDIT RISK

Credit risk refers to the risk that the counterparty to a financial instrument is unwilling or would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations. Management has a credit policy and the exposures to credit risk are monitored on an ongoing basis

The carrying amounts of cash and cash equivalents, trade and other receivables, trade deposits and other deposits included in the balance sheet represent the Group's maximum exposure to credit risk in relation to financial assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

CREDIT RISK *(Continued)*

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 objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem. 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, management considers that the Group's credit risk is significantly reduced.

At balance sheet date, the Group has a certain concentration of credit risk in total trade receivables and trade deposits, with 23% (2007: 19%) and 65% (2007: 55%) were due from the largest customer and five largest customers respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables and trade deposits are set out in notes 21 and 22.

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.

FOREIGN CURRENCY RISK

The Group's exposure to currency exchange rates is minimal as the group entities hold majority of their assets and liabilities in their own functional currency.

INTEREST RATE RISK

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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 and liabilities except for certain cash and cash equivalents. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

FAIR VALUES

At the balance sheet dates, the fair values of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short-term maturity. Impairment losses of trade receivables and trade deposits are generally made after the directors have considered the timing and probability of the collection.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

LIQUIDITY RISK

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of the payables in its daily operations, its cash flow management as well as potential adverse outcome on the Litigations as described in note 3.1. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and appropriate level of liquid assets to meet its liquidity requirements in the short and longer term.

As mentioned in note 3.1, the Group's ability to meet its financial obligations when they fall due is dependent upon the financial position of its Investment Partner and the sustainability of the Cash Flow Forecast with the underlying assumptions. Management of the Company is satisfied that the Group will be able to meet in full their financial obligations as and when they fall due in the foreseeable future.

Ultimate responsibility for liquidity risk management rests with 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, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

The following table summarise the remaining contractual maturities at the balance sheet dates of non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

	Carrying amount	**Total contractual undiscounted cash flow**	**Within one year or on demand**	**More than one year but less than two years**
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
At 31 December 2008				
Other payables	**25,535**	**25,535**	**25,535**	**–**
At 31 December 2007				
Other payables	9,882	9,882	9,882	–
Company				
At 31 December 2008				
Other payables	**477**	**477**	**477**	**–**
Amounts due to a subsidiary	**4,820**	**4,820**	**4,820**	**–**
	5,297	**5,297**	**5,297**	**–**
At 31 December 2007				
Other payables	908	908	908	–
Amounts due to a subsidiary	6,099	6,099	6,099	–
	7,007	7,007	7,007	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

32. 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 strengthening the Group's risk management capability.

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 2007.

The Group considers that the shareholders of net debt-to-adjusted capital ratio is not 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 capital is equal to total equity, for capital management purpose. At 31 December 2007 and 2008, 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 the amount of capital as at 31 December 2008 of RMB105,551,000 (2007: RMB156,588,000) and a net current ratio of 4.25 (2007: 6.46) which is calculated based on current assets less cash and cash equivalents divided by current liabilities. In the future, management of the Company will ensure that entities in the Group will be able to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

33. LITIGATIONS

As mentioned in note 3.1 to the financial statements, there are Litigations being undertaken against the principal subsidiary of the Group, Shanghai Fortune Sun, in early 2009. Details of the Litigations are set out as follows:

(a) Acting as a sale agent, Shanghai Fortune Sun signed agency agreements (the "Agency Agreements") with the Plaintiffs on 2 May 2008 for the purchase of 5 property units in a property development project in Shanghai. Subsequently, Shanghai Fortune Sun received the payments of RMB33,616,000 from the Plaintiffs on behalf of the property developer and then transferred the above sum to the property developer through the original investment partner.

(b) The Plaintiffs were unable to complete the purchase of these 5 property units in accordance with the terms of the Agency Agreements as the property development project had been sold to another property developer. As a consequence, the Plaintiffs required Shanghai Fortune Sun to refund the deposit paid. As at 31 December 2008, total amount of RMB18,000,000 were repaid to the Plaintiffs and the remaining balance of RMB15,616,000 remained outstanding. The Plaintiffs undertook legal actions against Shanghai Fortune Sun to recover the Claimed Amount.

(c) After the attempts made by management of Shanghai Fortune Sun to resolve the matter, the Investment Partner, which subsequently replaced the original investment partner and became the joint sale agent of the property development project in Shanghai with Shanghai Fortune Sun, has agreed unconditionally to bear the repayment obligations for the Indemnified Liabilities. As at 31 December 2008, the remaining balance of RMB15,616,000 remained outstanding. Together with the estimated related default interest of RMB5,396,000 accrued up to 31 December 2008, the total amount of RMB21,012,000 were recognised as other payables with the corresponding amount debited to other receivables due from the Investment Partner, accordingly.

(d) In December 2008, the Plaintiffs filed two writs against Shanghai Fortune Sun to the court in Shanghai. In January and February 2009, the court in Shanghai issued two charging orders against Shanghai Fortune Sun. As a result, a bank account of Shanghai Fortune Sun has been frozen by the court in Shanghai and the bank balances amounting to RMB55,000 were withheld.

(e) The directors expect the Litigations to be heard in the first half of 2009 and have sought legal advice from the Company's PRC legal advisers in this aspect. Based on the legal opinion issued in March 2009, Shanghai Fortune Sun, in principle, has the legal obligations to repay at least the Deposit Amount to the Plaintiffs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

34. CONTINGENT LIABILITIES

The contingent liabilities existed as at 31 December 2008 arose from the property development project in Shanghai as described in the note 33 above.

According to the agency agreement signed between a new property developer, the Investment Partner and Shanghai Fortune Sun in October 2008, in the event that Shanghai Fortune Sun and the Investment Partner are unable to achieve the guaranteed sales amount of RMB824,994,000 (the "Guaranteed Sales") within the sale period, the Investment Partner is obliged to pay the property developer the shortfall which is to be calculated based on the difference between the actual sales amounts and the Guaranteed Sales.

In the circumstance when the Investment Partner fails to meet the obligations for the shortfall, Shanghai Fortune Sun and the Investment Partner are jointly obliged to pay an additional amount which is 10% of the Guaranteed Sales, totalling RMB82,499,000.

The sale of this project only commenced in March 2009 and the sale period is to expire in 2010. The directors are of the opinion that the Guaranteed Sales can be ultimately met in 2010, and accordingly the contingent liabilities are not recognised in the financial statement as at 31 December 2008.

35. POST BALANCE SHEET EVENTS

35.1 In March 2009, the Group entered into the sale and purchase agreement to sell one of its investment properties at a consideration of RMB1,617,000 with a gain of RMB160,000.

35.2 As described in note 33(d), as a result of the court orders arising from the Litigations, a bank account of Shanghai Fortune Sun are being upheld by the court in Shanghai subsequent to the balance sheet date and the bank balances being upheld amounted to RMB55,000.

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				
	2008	2007	2006	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**23,005**	97,942	74,824	115,862	101,933
(Loss)/Profit attributable to shareholders of the Company for the year	**(48,265)**	22,646	19,199	40,987	37,709

	As at 31 December				
	2008	2007	2006	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES					
Total assets	**135,754**	176,897	165,963	98,491	56,070
Total liabilities	**30,203**	20,309	26,013	38,419	13,816
Shareholders' equity	**105,551**	156,588	139,950	60,072	42,254

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 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.	Underground Rooms Nos. 102 & 302 of Block No. 1, No. 101 of Entrance 1, Nos.. and Underground Rooms Nos. 南樓101, 南樓201 &南樓302 of Block No.2 of Chao Yang Jie Zuo, No.134 Yuan Shifoying East Lane, Chanyang District, Beijing, the PRC	approximately 644.26 sq.m (inclusive of the underground rooms)	Residential	100%	Long
2.	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
3.	Room 301 of Block No. 3, Room 205 of Block No. 5, Room 404 of Block No. 8, Rooms. 303, 403 & 503 of Block No. 9 and Room No.D-3 of Block No. 5 (Carparking) of Chayuanxiaoqu Phase II (茶苑小區二期), Tongwang Village (童王村), Xiaying Street (下應街道), Yinzhou District (鄞州區), Ningbo City, Zhejiang Province, the PRC*	approximately 392.21 sq.m	Residential	100%	Long

* The Group entered the purchase agreements for those properties in December 2008.