ANNUAL REPORT 2009

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

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Hutchins Drive
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Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in the PRC

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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

Cayman Islands 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

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

Auditor

RSM Nelson Wheeler
Certified Public Accountants

Hong Kong Legal Advisers

Chiu & Partners

Principal Bankers

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

Website Address

http://www.fortune-sun.com

Chairman's Statement

I am pleased to present on behalf of the board (the "Board") of directors (the "Directors") of Fortune Sun (China) Holdings Limited (the "Company") the 2009 annual report of the Company and its subsidiaries (collectively, the "Group").

Benefited from relatively loose monetary policies adopted by central governments over the globe, the global economy has improved significantly in 2009 as compared with the global economic crisis in 2008. The Chinese economy, in particular, was among the first in the Asia region to recover significant growth with the support of the Central Government's economic stimulus measures duly launched in 2009, which has mitigated the effect of the economic downturn and improved investment sentiment in China in 2009 notably.

With the resumption of robust economic growth in China in 2009, the Group managed to increase its revenue from timely sales of the premier property project in Shanghai, however the performance of the Group was still restrained by a number of projects engaged in some areas with uneven market sentiments within China. In 2009, the revenue of the Group was approximately RMB54.3 million, representing an increase of approximately 136.0% as compared to approximately RMB23.0 million in 2008. The loss attributable to owners of the Company had been narrowed down to approximately RMB11.8 million as compared to the loss of RMB48.3 million in 2008, due to the aforementioned increase in revenue in 2009. The basic loss per share in 2009 was approximately RMB5.89 cents (2008: RMB24.10 cents). Given the unsatisfactory performance and the need to conserve monetary resources of the Group, the Board did not recommend the payment of a final dividend for the year ended 31 December 2009.

With the directives from the National People's Congress ("NPC") and the Chinese People's Political Consultative Conference ("CPPCC") convened in early 2010, Chinese Premier Wen Jiabao reiterated the Central Government's determination to curb the excessive growth of home prices in major cities so as to better satisfy people's basic needs for housing. We anticipate that more government measures which would be duly launched in China to cope with these directives in the near future; however, we still believe that persistent eager demand in property in second and third tier cities in China as a result of accelerating urbanization and industrialization can provide more business opportunities for our agency businesses in these areas. Furthermore, we will put equal effort in exploring other means of establishing long term relationship to collaborate with property developers in property development in China to boarden our revenue base.

Our management has taken an active role in improving our financial health continuously by means of stringent cost controls, acceleration in the collection of debts and exploration of alternative sources of credit or capital. We anticipate the repayment of debts and deposits to us will be accelerated due to the continuous economic growth in China. As the saying goes, "Crises create opportunities", we would gear up ourselves to meet with new challenges and to create more sources of income.

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 in persevering our business objectives. I would also wish to express my sincere thanks to our business partners, consultants, customers and shareholders for their support and cooperation throughout the year.

For and on behalf of the Board of
Fortune Sun (China) Holdings Limited

Chiang Chen Feng
Chairman

22 April 2010
Hong Kong

Directors & Senior Management

Directors

Executive Directors

Mr. Chiang Chen Feng (江陳鋒), aged 45, 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 Main Board of The Stock Exchange of Hong Kong Limited (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"), High Color Investments Limited ("High Color"), Shanghai Yang Shi Enterprise Development Company Limited (上海陽石企業發展有限公司) ("Shanghai Yang Shi") and Fortune Sun Assets Management Company Limited ("Fortune Sun Assets"). 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 44, 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 was responsible for legal related matters. Ms. Chang joined Shanghai Fortune Sun as a manager of the finance department in July 1997 and she was appointed as a member of the senior management of Shanghai Fortune Sun in January 2000 and has been responsible for financial management. In August 2005, Ms. Chang was appointed as a director of Shanghai Fortune Sun. She is also a director of 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 42, 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, Cornerstone, Shanghai Yang Shi and Fortune Sun Assets. 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. In May 2009, he was appointed as the vice-president of Shanghai Fortune Sun.

Non-executive Director

Ms. Lin Chien Ju (林倩如), aged 37, 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.

Independent Non-executive Directors

Mr. Ng Wai Hung (吳偉雄), aged 46, 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) and Hycomm Wireless Limited (Stock Code: 499). Mr. Ng was also an independent non-executive director of Yun Sky Chemical (International) Holdings Limited (currently known as King Stone Energy Group Limited) (Stock Code: 663) and resigned in February 2010.

Mr. Cui Shi Wei (崔士威), aged 58, 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 52, 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. Also, Dr. Cheng obtained a Master of Laws (Chinese and Comparative Law) from City University of Hong Kong. Dr. Cheng is an associate member of the Hong Kong Institute of Certified Public Accountants, Institute of Chartered Accountants in England and Wales, the Australian Society of Certified Practising Accountants and the Taxation Institute of Hong Kong and a fellow member of the Hong Kong Institute of Directors. Dr. Cheng is a Certified Public Accountant practising in Hong Kong and has over 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 40, 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 12 years of experience in property sales and marketing and is also a holder of Certificate for Real Estate Brokers in Shanghai (上海房地產經紀人證書).

Mr. Leung Ka Lok (梁家樂), aged 39, 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 43, 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.

Market & Business Review

Contrary to the economy slump in 2008, China's real estate market has rallied on the government's four-trillion-yuan stimulus package and the relatively loose monetary policy introduced throughout 2009, with the average property price in some major Chinese cities surging some 60.0% over the year. Given the global economic recovery in 2009, our Group's annual turnover in 2009 was approximately RMB 54.3 million, representing a significant increase of approximately 136.0% as compared to approximately RMB23.0 million in 2008. The increase in revenue was due to the substantial commission income recognition from a premier property project in Shanghai under robust investment sentiment, as distinct from the slow sales for some particular projects and less revenue contributed by some close-to-complete projects in 2008. The saleable area sold under the comprehensive property consultancy and agency projects undertaken by the Group increased by approximately 34.0% as compared with that of 2008. For the year under review, the revenue generated from the comprehensive property consultancy and agency projects increased by approximately 141.4% to approximately RMB53.1 million from approximately RMB22.0 million in 2008.

The gross profit margin of the Group was approximately 17.7% for the year ended 31 December 2009, as compared to a gross loss margin of approximately 57.6% in 2008 with less revenue generated from the operations during 2008. The loss attributable to the owners of the Company was approximately RMB11.8 million in 2009 as compared with approximately RMB48.3 million in 2008, mainly due to the recovery in revenue in 2009.

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 2009, the turnover of the Group was generated from 19 comprehensive property consultancy and agency projects (2008: 25 projects) with approximately 442,000 square metres (2008: approximately 330,000 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 2009 was approximately RMB53.1 million, representing approximately 97.7% of the total turnover of the Group.

As at 31 December 2009, the Group had 30 comprehensive property consultancy and agency projects on hand with a total of approximately 4.0 million square metres of unsold gross floor areas. Among these 30 projects, sale of the underlying properties of 7 projects have not yet commenced as at 31 December 2009.

Future Prospects

Looking forward to the year 2010, we will collaborate with some of our customers to explore property development opportunities in the second and third tier cities in China to provide more real estate professional and consultancy services. 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 Group.

Liquidity and Financial Resources

In 2009, the Group's source of funds was mainly from cash generated from operation.

As at 31 December 2009, the Group had net current assets of approximately RMB98.2 million, total assets of approximately RMB130.0 million and shareholders' funds of approximately RMB94.6 million.

As at 31 December 2009, the bank and cash balances of the Group amounted to approximately RMB9.0 million.

Bank Borrowings and Overdrafts

The Group had no bank borrowings or overdrafts as at 31 December 2009 (2008: RMB Nil).

Indebtedness

As the Group did not have any borrowings as at 31 December 2009, the gearing ratio was zero.

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.

Staff

As at 31 December 2009, the Group had a total of 234 staff (2008: 252 staff), whose remuneration and benefits are determined based on market rates, state policies and individual performance.

Major Investment

For the year ended 31 December 2009, 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

The Group had no contingent liabilities as at 31 December 2009 (2008: RMB82,499,000).

Capital Commitments

The Group had no material capital commitments as at 31 December 2009 (2008: RMB Nil).

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 (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "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 2009, 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 until terminated by not less than 3 months' notice in writing served by either the Company or the respective Director to the other. The non-executive Director and independent non-executive Directors are also subject to rotation at annual general meetings pursuant to the articles of association of the Company. All the independent non-executive Directors have confirmed in writing to the Company that they have met all the guidelines for assessing their independence as set out in Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent.

The Company has adopted 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 in 2009, including the Model Code, the Company has 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, all Directors have confirmed that they have fully complied with the required standards set out in the Model Code during the year ended 31 December 2009.

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

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

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 2009, 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 of Director	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	3
Non-executive Director		
Ms. Lin Chien Ju	5	4
Independent non-executive Directors		
Dr. Cheng Chi Pang	5	4
Mr. Ng Wai Hung	5	3
Mr. Cui Shi Wei	5	3

Committees of the Board

The Board has established the Executive Committee, the Nomination Committee, the Audit Committee and the Remuneration Committee (all as defined below) for overseeing particular aspects of the Company's affairs.

Executive Committee

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

The Executive Committee has not convened any meetings for the year ended 31 December 2009.

Nomination of Directors

The Board has set up a nomination committee (the "Nomination Committee") as recommended by the CG Code. 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 2009, the Nomination Committee had 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 2009.

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 pursuant to the requirements of the code provisions of the CG Code and Rule 3.21 of the Listing Rules 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 reviewing 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 2009, the Audit Committee met with the external auditor to review and approve the audit plans and also reviewed the Group's interim results of 2009 and annual results of 2008 and the audit findings with the attendance of the external auditor 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 2009.

The Audit Committee convened three meetings for the year ended 31 December 2009. 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)*	3	3
Mr. Ng Wai Hung	3	2
Mr. Cui Shi Wei	3	1

Remuneration Committee

The Company has established a remuneration committee (the "Remuneration Committee") with written terms of reference in compliance with the CG Code 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 convened one meeting concerning the remuneration policy and packages of the Directors and senior management.

The individual attendance record of each member of the Remuneration Committee is tabulated as follows:

Name of Director	Number of meeting held during the year	Number of meeting attended
Mr. Cui Shi Wei *(Chairman)*	1	0
Mr. Ng Wai Hung	1	1
Dr. Cheng Chi Pang	1	1

Auditor's Remuneration

During the year, the audit fee payable/paid to RSM Nelson Wheeler, the external auditor of the Company, was HK$623,000.

Directors' and Auditor's Acknowledgement

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

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

Internal Controls

The Board is responsible for maintaining an adequate internal control system to facilitate effective and efficient operations, to safeguard assets, to prevent and detect fraud and error, and to ensure the quality and timely preparation of internal and external reporting and compliance with applicable laws and regulations. The effectiveness of the internal control system (covering financial, operational and compliance controls and risk management functions) and specifically, the adequacy of resources, qualification and experience of staff of the Company's accounting and financial reporting function, and their training programme and budget are reviewed during the Board's annual review.

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

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

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

Investor Relations and Shareholders' Communications

The Company enhances investor relations and communications by setting up meetings with the investment community. The Company also responds to requests for information and queries from the investment community through the attendance by the executive Directors and designated senior management. The Board is committed to providing clear and full information of the Company to shareholders through despatching the Group's interim and annual reports, circulars, notices, financial reports to shareholders as and when appropriate.

The Company's annual general meeting provides a good opportunity for communications between the Board and its shareholders. Shareholders are encouraged to attend the annual general meeting. Notice of the annual general meeting and related papers are sent to shareholders in the manner prescribed under the articles of association of the Company (the "Articles of Association") 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 of the meeting and Directors will answer questions on the Company's business at the annual general meeting. External auditor of the Company 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.

Material Uncertainties of the Group's Ability to Continue as a Going Concern

The external auditor has expressed a disclaimer of opinion relating to preparation of the audited consolidated financial statements of the Group for the year ended 31 December 2009 due to fundamental uncertainties as set out in pages 32 to 34 of this annual report.

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.

The directors (the "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 2009.

Principal Activities

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 18 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2009 and the state of affairs of the Company and the Group as at 31 December 2009 are set out in the financial statements on pages 35 to 88.

On 22 April 2010, the Directors resolved not to recommend any final dividend to the shareholders of the Company for the year ended 31 December 2009 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 Tuesday, 15 June 2010 to Friday, 18 June 2010 (both days inclusive) during which period no transfer of shares will be registered.

In order to qualify for attending and voting at the annual general meeting of the Company to be held on Friday, 18 June 2010 (the "2009 Annual General Meeting"), all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office 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 Monday, 14 June 2010.

Prepaid Land Lease Payments and Investment Properties

Details of the prepaid land lease payments and investment properties of the Group are set out in notes 16 and 17 to the consolidated financial statements as well as the section headed "Summary of Major Properties" set out on page 90 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 15 to the consolidated financial statements.

Events after the Reporting Period

Details of the events after the reporting period of the Group are set out in note 31 to the consolidated financial statements.

Share Capital

Details of movements in share capital of the Company during the year are set out in note 25 to the consolidated financial statements.

Reserves

Details of movements in reserves of the Company and the Group are set out in note 26 to the consolidated financial statements and the consolidated statement of changes in equity respectively.

Distributable Reserves

Under the Companies Law of the Cayman Islands, Cap. 22 (Law 3 of 1961, as revised and consolidated from time to time), the share premium is available for distribution to shareholders subject to the provisions of the articles of association of the Company (the "Articles of Association"), and no distribution may be paid to shareholders out of the Company's share premium unless the Company shall be able to pay its debt as they fall due in the ordinary course of business. As at 31 December 2009, the Company's reserves available for distribution amounted to approximately RMB24,626,000.

Disclosure Pursuant to Rules 13.13 And 13.15 of the Listing Rules

With reference to the announcements of the Company dated 21 April 2008 and 20 April 2009 in relation to the payment of a security deposit (the "Security Deposit") for the sum of RMB20 million by Shanghai Fortune Sun to Shanghai Xi Ge Ma Land Company Limited (上海希格瑪置業有限公司) (the "Former Customer") to secure the performance of its sales agency obligations in a real estate project in Shanghai (the "Subject Project") under certain agency agreements (the "Agency Agreements"), Shanghai Ming Xin Investment and Management Consultant Company Limited (上海名昕投資管理咨詢有限公司) (the "Former Investment Partner") 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 Shanghai Bao Rui Land Company Limited (上海寶瑞置業有限公司) (the "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 with Shanghai Fortune Sun and Shanghai Ke Shang Property Consultant Company Limited (上海可上房產咨詢有限公司) (the "Current Investment Partner"), an independent third party, 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.

The Security Deposit of RMB20 million is accounted for as trade deposits as of 31 December 2009 and 2008 respectively.

As the amount of the Security Deposit represents approximately 15.4% of the assets ratio as defined under Rule 14.07(1) of the Listing Rules at 31 December 2009, the Company's general disclosure obligation of certain particulars of the Security Deposit as prescribed under Rule 13.15 arose.

Subsequent to 31 December 2009, an underwriting settlement agreement had been entered into between the Current Investment Partner, Shanghai Fortune Sun and the Current Customer on 11 January 2010 after a substantial portion of apartment units (including parking lots) of the Subject Project was sold to ultimate customers in 2009. Pursuant to the agreement, the Current Investment Partner exercised their right to purchase the unsold units (including the parking lots) of the Subject Project (save for 4 apartment units and the corresponding parking lots, the purchase price of which was paid by Shanghai Zhilian but the titles of which were retained by the Current Customer to set off certain sums due from the Current Investment Partner to the Current Customer) (the "Unsold Units") through Shanghai Zhilian Enterprise Development Company Limited (上海智連企業發展有限公司) ("Shanghai Zhilian"), a wholly-owned subsidiary of the Current Investment Partner and an independent third party of the Group, so as to discharge its obligations stipulated in the previous agreement with the property developer to underwrite the sales of all the apartment units and parking lots of the Subject Project. Given the property titles to the Unsold Units of the Subject Project are ultimately transferred to Shanghai Zhilian, therefore, a new agreement has been entered into between Shanghai Zhilian, the Current Investment Partner and Shanghai Fortune Sun on 24 February 2010, pursuant to which Shanghai Zhilian agreed to appoint Shanghai Fortune Sun as the sales and consultancy agent in respect of the Unsold Units for a term of 12 months, and Shanghai Zhilian will assume all the warranties, undertakings and repayment obligations of the Current Investment Partner to Shanghai Fortune Sun in relation to the Subject Project, including the repayment obligation of the Current Investment Partner to Shanghai Fortune Sun in respect of the Security Deposit. Shanghai Zhilian has agreed to refund the Security Deposit to Shanghai Fortune Sun with reference to the progress of sales of the Unsold Units until the Security Deposit has been repaid in full.

Litigations

In April 2008, Shanghai Fortune Sun entered into an agreement with the Former Investment Partner and the Former Customer to act as the principal sale and consultancy agents for the Subject Project.

Acting as a sale agent, Shanghai Fortune Sun signed agreements (the "Agreements Under Dispute") with two individual customers (the "Plaintiffs") in May 2008 for the purchase of 5 property units under the Subject Project and Shanghai Fortune Sun received the prepayment of approximately RMB33,616,000 from the Plaintiffs and subsequently transferred the amount received back to the Former Customer through the Former Investment Partner.

Shanghai Fortune Sun were unable to notify the Plaintiffs in writing of inspection and taking of delivery of these 5 property units before 1 June 2008, and arrange for signing of the formal sale and purchase agreement for the purchase of these properties within three months after the date of the respective Agreement Under Dispute in accordance with the terms thereof as the property development project had been sold from the Former Customer to the Current Customer. As a consequence, the Plaintiffs required Shanghai Fortune Sun to refund the prepayment paid. Total amount of RMB18,000,000 were repaid to the Plaintiffs and the remaining balance of approximately RMB15,616,000 remained outstanding up to 31 December 2008. The Plaintiffs undertook legal actions (the "Litigations") against Shanghai Fortune Sun and the total amount claimed by the Plaintiff amounted to approximately RMB21,012,000 (the "Claimed Amount") which represented the unpaid outstanding prepayment and the related default interest of approximately RMB5,396,000 accrued up to 31 December 2008, together with the costs of the Litigations.

On 23 October 2008, Shanghai Fortune Sun entered into an agreement with the Current Customer and the Current Investment Partner to act as the principal sale and consultancy agents for the Subject Project. The Current Investment Partner has unconditionally agreed to undertake the obligations, inter alia, for the refund of any prepayment made to Shanghai Fortune Sun by its customers in the course of 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 assume any liabilities of the default compensation and interests arising from any related legal proceedings by these customers against Shanghai Fortune Sun (the "Indemnified Liabilities").

The Litigations were settled subsequent to the end of the reporting period and the Claimed Amount was agreed to be reduced to RMB20,000,000 (the "Settlement Amount"). RMB808,000 was partially settled during the year. Further information is set out in the paragraph headed "Settlement of Litigations" below. Therefore, the remaining Settlement Amount of RMB19,192,000 as at 31 December 2009 has been recognised as other payables in the consolidated statement of financial position. In addition, the agreement by the Current Investment Partner to pay the Group the Indemnified Liabilities of RMB19,192,000 has been recognised as other receivables in consolidated statement of financial position as at 31 December 2009.

Settlement of Litigations

On 20 February 2010, Shanghai Fortune Sun and the Plaintiffs have entered into a settlement agreement (the "Settlement Agreement") in relation to the settlement of the Litigations, pursuant to which Shanghai Fortune Sun has agreed to pay to the Plaintiffs the Settlement Amount in full settlement of the Litigations. The Settlement Amount comprises (1) approximately RMB15,616,000, being the aggregate amount of prepayments made by the Plaintiffs for the purchase of 5 property units from the Subject Project; and (2) approximately RMB4,384,000, being default interests in respect of the breaches of the Agreements Under Dispute by Shanghai Fortune Sun and the costs of the Litigations.

Pursuant to the Settlement Agreement, a sum of RMB808,000, being the approximate bank balance up to 3 November 2009 in a bank account of Shanghai Fortune Sun as frozen by the court in Shanghai, was debited for payment of part of the Settlement Amount, and the balance of the Settlement Amount (being RMB19,192,000) shall be paid by Shanghai Fortune Sun to the Plaintiffs in monthly installments as to (i) RMB892,000, payable before 25 February 2010; (ii) RMB1,700,000 per month, payable before the 25th day of each calendar month for the period from March 2010 to December 2010; and (iii) RMB1,300,000, payable before 25 January 2011.

Pursuant to the letter of commitment issued by Shanghai Zhilian to Shanghai Pudong New District People's Court dated 20 February 2010, Shanghai Zhilian has unconditionally agreed to guarantee the repayment obligations of Shanghai Fortune Sun for the Settlement Amount. In addition, Shanghai Zhilian has also provided two residential units and the corresponding parking lots from the Subject Project (which are free from encumbrances and tenancy) to the court as security for the undertaking.

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 annual general meeting of the Company. Any Director who retires under this article shall then be eligible for re-election as Director. Ms. Chang Hsiu Hua, Mr. Han Lin and Ms. Lin Chien Ju will retire as Director and, being eligible, offer themselves for re-election as Director at the 2009 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 appointment until terminated by either party giving to the other not less than three months' advance written notice of termination.

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

None of the Directors proposed for re-election at the 2009 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' 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 2009, 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 (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Name of Directors	Company/ Name of associated corporation	Capacity	Number and class of securities (Note 1)	Approximate of percentage shareholding
Mr. Chiang Chen Feng ("Mr. Chiang")	The Company	Interest of a controlled corporation (Note 2)	67,820,850 Ordinary Shares (L)	33.83%
	The Company	Beneficial owner and interest of spouse (Note 3)	1,500,000 Ordinary Shares (L)	0.72% (Note 12)
Ms. Lin Chien Ju ("Ms. Lin")	The Company	Interest of a controlled corporation (Note 4)	36,352,050 Ordinary Shares (L)	18.13%
		Beneficial owner (Note 5)	100,000 Ordinary Shares (L)	0.05% (Note 12)

Name of Directors	Company/ Name of associated corporation	Capacity	Number and class of securities (Note 1)	Approximate of percentage shareholding
Mr. Han Lin ("Mr. Han")	The Company	Beneficial owner	7,051,801 Ordinary Shares (L)	3.52%
		Beneficial owner (Note 6)	2,700,000 Ordinary Shares (L)	1.29% (Note 12)
Ms. Chang Hsiu Hua ("Ms. Chang")	The Company	Interest of spouse (Note 7)	67,820,850 Ordinary Shares (L)	33.83%
	The Company	Beneficial owner and interest of spouse (Note 8)	1,500,000 Ordinary Shares (L)	0.72% (Note 12)
Dr. Cheng Chi Pang ("Dr. Cheng")	The Company	Beneficial owner (Note 9)	100,000 Ordinary Shares (L)	0.05% (Note 12)
Mr. Ng Wai Hung ("Mr. Ng")	The Company	Beneficial owner (Note 10)	100,000 Ordinary Shares (L)	0.05% (Note 12)
Mr. Cui Shi Wei ("Mr. Cui")	The Company	Beneficial owner (Note 11)	100,000 Ordinary Shares (L)	0.05% (Note 12)

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 was also the sole director of Active Star. Mr. Chiang was deemed to be interested in all the Shares in which Active Star was interested by virtue of the SFO.

3. The long position of Mr. Chiang in these 1,500,000 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 was also one of the directors of Upwell Assets. Ms. Lin was deemed to be interested in all the Shares in which Upwell Assets was interested by virtue of the SFO.

5. The long position of Ms. Lin 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 209,190,000 Shares in issue as at 31 December 2009, 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 2009, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of the SFO) which had been notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests in Shares

As at 31 December 2009, 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 of Shareholder	Capacity	Number and class of securities (Note 1)	Approximate of percentage shareholding
Active Star	Beneficial owner (Note 2)	67,820,850 Ordinary Shares (L)	33.83%
Upwell Assets	Beneficial owner (Note 3)	36,352,050 Ordinary Shares (L)	18.13%
Honorway Nominees Limited ("Honorway")	Beneficial owner (Note 4)	16,248,300 Ordinary Shares (L)	8.11%
Honorway Investments Limited	Interest of a controlled Corporation (Note 4)	16,248,300 Ordinary Shares (L)	8.11%
Mr. Ho Hau Chong, Norman	Interest of a controlled corporation (Note 4)	16,248,300 Ordinary Shares (L)	8.11%
Ms. Yvette Therese Ma	Interest of spouse (Note 5)	16,248,300 Ordinary Shares (L)	8.11%
Mr. Ho Hau Hay, Hamilton	Interest of a controlled Corporation (Note 4)	16,248,300 Ordinary Shares (L)	8.11%
Ms. Sharon Young	Interest of spouse (Note 6)	16,248,300 Ordinary Shares (L)	8.11%
Ms. Hsieh Hsiu-Mei ("Ms. Hsieh")	Interest of a controlled corporation (Note 7)	7,220,000 Ordinary Shares (L)	3.60%
	Beneficial owner	4,716,000 Ordinary Shares (L)	2.35%
Mr. Chu Yao-Jen	Interest of spouse (Note 8)	11,936,000 Ordinary Shares (L)	5.95%
Mrs. Chen Hsu Li-Mei	Beneficial owner	11,122,000 Ordinary Shares (L)	5.55%
Mr. Chen Chin Chuan	Interest of spouse (Note 9)	11,122,000 Ordinary Shares (L)	5.55%

Notes:

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

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

3. These Shares were registered in the name of Upwell Assets, the entire issued share capital of which was owned by Ms. Lin. Ms. Lin was deemed to be interested in all the Shares in which Upwell Assets was interested by virtue of the SFO.

4. These Shares were registered in the name of Honorway, 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 was interested by virtue of the SFO.

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

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

7. These Shares were registered in the name of Forever Sky Group Limited, which was controlled by Ms. Hsieh. Ms. Hsieh was deemed to be interested in all the shares in which Forever Sky Group Limited was 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 2009, no person, other than the Directors and chief executive of the Company whose interests are set out in the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, had an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

Share Option Schemes

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.

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 2009 were as follows:

Category of participant	Outstanding as at 1 January 2009	Number of shares in respect of share options: Granted during the year	Exercised during the year	Lapsed or cancelled during the year	Outstanding as at 31 December 2009	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
	850,000	–	–	–	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
	2,700,000	–	–	–	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
	650,000	–	–	–	650,000				
Lin Chien Ju	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	–	–	–	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
Employees:									
In aggregate	1,770,000	–	–	(100,000)	1,670,000	10/06/2006	05/07/2007 to 04/07/2016	0.795	N/A
	1,450,000	–	–	(225,000)	1,225,000	12/03/2008	12/03/2009 to 11/03/2018	1.12	1.12
	1,450,000	–	–	(225,000)	1,225,000	12/03/2008	12/03/2010 to 11/03/2018	1.12	1.12
	4,670,000	–	–	(550,000)	4,120,000				
	9,270,000	–	–	(550,000)	8,720,000				

For the year ended 31 December 2009, 100,000 options had lapsed during the year under the Pre-IPO Share Option Scheme and 450,000 options had lapsed 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.

As at the date of this annual report, 5,000,000 shares were available for issue upon exercise of the options granted under the Share Option Scheme, representing approximately 2.5% of the issued share capital of the Company at the date.

Directors' Rights to Acquire Shares and Debentures

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

Management Contracts

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

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the shareholders of the Company.

Purchase, Sales and Redemption of the Listed Securities of the Company

The Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the year ended 31 December 2009.

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 50.3% and 77.3% 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 37.3% and 61.1% of the Group's total purchases of the year respectively.

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

Public Float

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

Auditors

The consolidated financial statements of the Group for the year ended 31 December 2009 were audited by RSM Nelson Wheeler who will retire at the conclusion of the 2009 Annual General Meeting. A resolution will be submitted to the 2009 Annual General Meeting to re-appoint RSM Nelson Wheeler as auditor of the Company for the year ending 31 December 2010.

Details of any Change in the Company's Auditor in the Preceding Three Years

Baker Tilly Hong Kong Limited ("Baker Tilly"), had resigned as the Company's auditor with effect from 20 June 2008, the details of which were disclosed in an announcement of the Company dated 20 June 2008. Grant Thornton was then appointed to fill the casual vacancy in the office of the auditor with effect from 11 July 2008, the details of which were disclosed in an announcement of the Company dated 11 July 2008.

Following the retirement of Grant Thornton as the Company's auditor on 19 June 2009, RSM Nelson Wheeler was appointed to fill the casual vacancy in the office of the auditor with effect from 15 July 2009, the details of which were disclosed in an announcement of the Company dated 15 July 2009.

All the relevant information above was 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 auditor 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 2010

RSM Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants

To the shareholders of Fortune Sun (China) Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We were engaged to audit 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 88, which comprise the consolidated and Company statements of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the limitation in the scope of our work as described in the basis for disclaimer of opinion paragraphs, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. 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. However, because of the matters described in the basis for disclaimer of opinion paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

1) Scope limitation on the recoverability of trade receivables

Included in the Group's trade receivables of RMB48,499,000 as at 31 December 2009 was an aggregate amount of RMB17,686,000 due from several property developers. However, subsequent to the end of the reporting period and up to the date of this report, only RMB1,388,000 of the outstanding balance at 31 December 2009 was settled. We have not been provided with sufficient evidence to satisfy ourselves whether the remaining outstanding balance of RMB16,298,000 could be recovered in full. There are no other satisfactory audit procedures that we could adopt to determine whether any allowance for non-recovery of the amount should be made in the financial statements. Any adjustment to this figure might have a significantly consequential effect on the net assets as at 31 December 2009 and the results for the year then ended.

2) Scope limitation on the recoverability of trade deposits

Included in the Group's trade deposits of RMB34,968,000 as at 31 December 2009 was an aggregate amount of RMB4,420,000 due from several property developers. However, subsequent to the end of the reporting period and up to the date of this report, only RMB79,000 of the outstanding balance at 31 December 2009 was settled. We have not been provided with sufficient evidence to satisfy ourselves whether the outstanding balance of RMB4,341,000 could be recovered in full. There are no other satisfactory audit procedures that we could adopt to determine whether any allowance for non-recovery of the amount should be made in the financial statements. Any adjustment to this figure might have a significantly consequential effect on the net assets as at 31 December 2009 and the results for the year then ended.

3) Material uncertainty relating to going concern

We draw attention to note 2 to the financial statements which mentions that the Group incurred a loss attributable to the owners of the Company of RMB11,815,000 and had a net cash outflow from operating activities of RMB13,638,000 for the year ended 31 December 2009. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements have been prepared on a going concern basis, the validity of which depends on how accurate the directors are in estimating all the Assumptions as mentioned in the note 2 to the financial statements. The financial statements do not include any adjustments that would result from the failure to achieve the Assumptions. We consider that the material uncertainty has been adequately disclosed in the financial statements. However, in view of the extent of the uncertainty relating to the Assumptions, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

Disclaimer of opinion: disclaimer on view given by financial statements

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, 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 2009 and of the Group's results 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.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

22 April 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Revenue	7	**54,300**	23,005
Business tax and other levies		**(2,685)**	(1,088)
Cost of service rendered		**(42,026)**	(35,183)
Gross profit/(loss)		**9,589**	(13,266)
Other income	8	**1,259**	1,188
Operating and administrative expenses		**(16,696)**	(37,667)
Loss before tax		**(5,848)**	(49,745)
Income tax (expense)/credit	10	**(5,967)**	1,408
Loss for the year	11	**(11,815)**	(48,337)
Attributable to:			
Owners of the Company	13	**(11,815)**	(48,265)
Minority interests		**–**	(72)
		(11,815)	(48,337)
		RMB cents	RMB cents
Loss per share	14		
Basic		**(5.89)**	(24.10)
Diluted		**N/A**	N/A

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
Loss for the year	**(11,815)**	(48,337)
Other comprehensive income:		
Exchange differences on translating foreign operations	**(24)**	173
Other comprehensive income for the year, net of tax	**(24)**	173
Total comprehensive income for the year	**(11,839)**	(48,164)
Attributable to:		
Owners of the Company	**(11,839)**	(48,092)
Minority interests	**–**	(72)
	(11,839)	(48,164)

Consolidated Statement of Financial Position

At 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	15	**2,337**	1,225
Prepaid land lease payments	16	**2,011**	1,766
Investment properties	17	**1,984**	1,497
Deposits for investment properties and prepaid land lease payments		**–**	3,123
Golf club membership		**291**	291
		6,623	7,902
Current assets			
Trade receivables	19	**48,499**	27,200
Trade deposits	20	**34,968**	43,016
Prepayments and other deposits		**4,116**	6,118
Other receivables	21	**26,852**	31,866
Current tax assets		**–**	363
Bank and cash balances	22	**8,975**	19,289
		123,410	127,852
Current liabilities			
Accruals and other payables	23	**25,198**	25,535
Net current assets		**98,212**	102,317

Consolidated Statement of Financial Position

At 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Total assets less current liabilities		**104,835**	110,219
Non-current liabilities			
Deferred tax liabilities	24	**10,272**	4,668
NET ASSETS		**94,563**	105,551
Capital and reserves			
Share capital	25	**20,644**	20,644
Reserves		**73,919**	84,907
Equity attributable to owners of the Company		**94,563**	105,551
Minority interests		**–**	–
TOTAL EQUITY		**94,563**	105,551

Approved by the Board of Directors on 22 April 2010

Chang Hsiu Hua
Director

Han Lin
Director

Statement of Financial Position

At 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	15	**1**	27
Investments in subsidiaries	18	**497**	497
		498	524
Current assets			
Prepayments and deposits		**197**	307
Amount due from subsidiaries	18	**48,536**	55,931
Bank and cash balances		**1,067**	784
		49,800	57,022
Current liabilities			
Accruals and other payables		**937**	477
Amount due to a subsidiary	18	**4,091**	4,820
		5,028	5,297
Net current assets		**44,772**	51,725
NET ASSETS		**45,270**	52,249
Capital and reserves			
Share capital	25	**20,644**	20,644
Reserves	26	**24,626**	31,605
TOTAL EQUITY		**45,270**	52,249

Approved by the Board of Directors on 22 April 2010

Chang Hsiu Hua
Director

Han Lin
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to owners of the Company									
	Share capital	Share premium (note 26 (c)(i))	Merger reserve (note a)	Reserve fund (note b)	Share-based payment reserve (note 26 (c)(ii))	Foreign currency translation reserve (note 26 (c)(iii))	Retained profits/ (accumulated losses)	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
At 1 January 2008	20,624	44,901	14,554	16,621	2,050	(2,256)	60,022	156,516	72	156,588
Total comprehensive income for the year	–	–	–	–	–	173	(48,265)	(48,092)	(72)	(48,164)
Dividends paid	–	(4,682)	–	–	–	–	–	(4,682)	–	(4,682)
Share-based payments	–	–	–	–	1,654	–	–	1,654	–	1,654
Issue of shares on exercise of share options	20	214	–	–	(79)	–	–	155	–	155
Changes in equity for the year	20	(4,468)	–	–	1,575	173	(48,265)	(50,965)	(72)	(51,037)
At 31 December 2008	20,644	40,433	14,554	16,621	3,625	(2,083)	11,757	105,551	–	105,551
At 1 January 2009	20,644	40,433	14,554	16,621	3,625	(2,083)	11,757	105,551	–	105,551
Total comprehensive income for the year	–	–	–	–	–	(24)	(11,815)	(11,839)	–	(11,839)
Share options lapsed after vesting period	–	–	–	–	(36)	–	36	–	–	–
Share-based payments	–	–	–	–	851	–	–	851	–	851
Changes in equity for the year	–	–	–	–	815	(24)	(11,779)	(10,988)	–	(10,988)
At 31 December 2009	**20,644**	**40,433**	**14,554**	**16,621**	**4,440**	**(2,107)**	**(22)**	**94,563**	**-**	**94,563**

Note:

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(5,848)**	(49,745)
Adjustments for:		
Interest income	**(81)**	(355)
Depreciation of property, plant and equipment	**373**	570
Depreciation of investment properties	**50**	103
Gain on disposals of property, plant and equipment	**(18)**	(3)
Gain on disposals of investment properties and prepaid land lease payments	**(154)**	(830)
Amortisation of prepaid land lease payments	**63**	98
(Reversal)/impairment of trade deposits	**(172)**	4,633
Impairment of trade receivables	**264**	7,101
Written off of other receivables	**1,487**	–
Written off of investment properties and prepaid land lease payments due to loss of legal titles	**–**	3,575
Equity-settled share-based payments	**851**	1,654
Operating loss before working capital changes	**(3,185)**	(33,199)
(Increase)/decrease in trade receivables	**(23,535)**	4,883
Decrease/(increase) in trade deposits	**8,220**	(9,308)
Decrease in prepayments and other deposits	**2,002**	897
Decrease/(increase) in other receivables	**3,197**	(6,498)
Decrease in accruals and other payables	**(337)**	(1,894)
Cash used in operations	**(13,638)**	(45,119)
Income taxes paid	**–**	(4,714)
Net cash used in operating activities	**(13,638)**	(49,833)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(1,503)**	(438)
Purchases of investment properties and prepaid land lease payments	**(160)**	(103)
Proceeds from disposals of property, plant and equipment	**36**	232
Proceeds from disposals of investment properties and prepaid land lease payments	**4,894**	411
Interest received	**81**	355
Net cash generated from investing activities	**3,348**	457

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares under the Pre-IPO Share Option Scheme	**–**	155
Dividends paid to owners of the Company	**–**	(4,682)
Net cash used in financing activities	**–**	(4,527)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(10,290)**	(53,903)
Effect of foreign exchange rate changes	**(24)**	183
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**19,289**	73,009
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**8,975**	19,289
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**8,975**	19,289

1. General Information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is 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 Company is an investment holding company. The principal activities of its subsidiaries are set out in note 18 to the financial statements.

2. Going Concern Basis

The Group incurred a loss attributable to the owners of the Company of RMB11,815,000 and had net cash outflow from operating activities of RMB13,638,000 for the year ended 31 December 2009. The bank and cash balances at 31 December 2009 were RMB8,975,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group 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 from 31 December 2009 (the "Cash Flow Forecast") based on the key underlying assumptions (the "Assumptions") which include the followings:

(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;

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

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

(v) the Current Investment Partner is able to repay Shanghai Fortune Sun, a subsidiary of the Company, the Indemnified Liabilities in full and in a timely manner in order to repay the Settlement Amount with the Plaintiffs as defined in notes 30 and 31(i) to the financial statements.

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.

2. Going Concern Basis *(Continued)*

As the directors believe that the Current Investment Partner is able to repay Shanghai Fortune Sun the Indemnified Liabilities in full and in a timely manner in order for the Group to repay the Settlement Amount with the Plaintiffs, and in view of the results of the Cash Flow Forecast, the directors are therefore of the opinion that it is appropriate to prepare the financial statements 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 Current 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 to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. Adoption of New and Revised HKFRSs

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2009. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and presentation of the Group's financial statements and amounts reported for the current year and prior years.

a. Presentation of Financial Statements

HKAS 1 (Revised) "Presentation of Financial Statements" affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the income statement and statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. HKAS 1 (Revised) also requires disclosures of reclassification adjustments and tax effects relating to each component of other comprehensive income for the year. HKAS 1 (Revised) has been applied retrospectively.

3. Adoption of New and Revised HKFRSs *(Continued)*

b. Operating Segments

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Previously, HKAS 14 "Segment Reporting" required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving as the starting point for the identification of such segments. The primary segments reported under HKAS 14 are the same as the segments reported under HKFRS 8. HKFRS 8 has been applied retrospectively.

The segment accounting policies under HKFRS 8 are stated in note 9 to the financial statements.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. Significant Accounting Policies

These financial statements have been prepared in accordance with HKFRSs and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the financial statements.

4. Significant Accounting Policies *(Continued)*

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

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

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

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

Minority interests represent the portion of interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between minority and owners of the Company (majority interests). Losses applicable to the minority in excess of the minority interests in the subsidiary's equity are allocated against the majority interests except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interests until the minority's share of losses previously absorbed by the majority has been recovered.

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

4. Significant Accounting Policies *(Continued)*

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group. The functional currency of the Company is Hong Kong dollars.

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

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

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

(iii) Translation on consolidation

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

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

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

– All resulting exchange differences are recognised in the foreign currency translation reserve.

4. Significant Accounting Policies *(Continued)*

(b) Foreign currency translation *(Continued)*

(iii) Translation on consolidation *(Continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

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

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

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

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

4. Significant Accounting Policies *(Continued)*

(d) Investment properties

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

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

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

(e) Deposits for investment properties and prepaid land lease payments

Deposit made for the investment properties and prepaid land lease payments are stated at cost and are transferred to investment properties and prepaid land lease payments when (i) the local authorities have acknowledged that the registration of the related purchase contracts have been completed during the reporting period; and (ii) these properties are substantially completed.

(f) Operating leases

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

(g) Golf club membership

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

4. Significant Accounting Policies *(Continued)*

(h) Recognition and derecognition of financial instruments

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

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

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

(i) Trade and other receivables

Trade and other receivables are non-derivate financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

4. Significant Accounting Policies *(Continued)*

(j) Trade deposits

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

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

(k) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(l) Financial liabilities and equity instruments

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

(i) Trade and other payables

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

(ii) Equity instruments

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

4. Significant Accounting Policies *(Continued)*

(m) Revenue recognition

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

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

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

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

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

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

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

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

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

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

4. Significant Accounting Policies *(Continued)*

(n) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(o) Share-based payments

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

4. Significant Accounting Policies *(Continued)*

(p) Taxation

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

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

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

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

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

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

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

4. Significant Accounting Policies *(Continued)*

(q) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

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

(r) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except golf club membership, receivables, trade deposits and investment properties to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value 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 assessments of the time value of money and the risks specific to the asset.

4. Significant Accounting Policies *(Continued)*

(r) Impairment of assets *(Continued)*

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(s) Provisions and contingent liabilities

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

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

(t) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

5. Critical Judgements and Key Estimates

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements apart from those involving estimations, which are dealt with below.

Going concern basis

These financial statements have been prepared on a going concern basis. Details are explained in note 2 to financial statements.

Key sources of estimation uncertainty

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

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

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

(b) Impairment loss for bad and doubtful debts

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

5. Critical Judgements and Key Estimates *(Continued)*

(c) Impairment of assets

Internal and external sources of information are reviewed by the Group at the end of reporting period to assess whether there is any indication that property, plant and equipment, investment properties and prepaid land lease payments may be impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine impairment losses on the assets. Changes in facts and circumstances may affect the conclusion of whether an indication of impairment exists and result in revised estimates of recoverable amounts, which would affect income statement in future years.

(d) Income taxes

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

6. Financial Risk Management

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

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

6. Financial Risk Management *(Continued)*

(b) Credit risk

The carrying amount of the cash and bank balances, trade and other receivables, and trade deposits included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

It has policies in place to ensure that services are rendered to customers with an appropriate credit history.

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

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.

The Group has significant concentration of credit risk to its trade receivables and trade deposits as the Group's largest customer shared 44% (2008: 23%) of the trade receivables and trade deposits at the end of reporting period.

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 19 and 20 respectively.

6. Financial Risk Management *(Continued)*

(c) 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 deferral by the Current Investment Partner to repay the Group the Indemnified Liabilities in a timely manner as described in note 30. 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 2, the Group's ability to meet its financial obligations when they fall due is dependent upon the financial position of the Current Investment Partner and the sustainability of the Cash Flow Forecast with the underlying Assumptions. The directors are 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 the directors, 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.

The maturity of the Group's financial liabilities at 31 December 2009 and at 31 December 2008 is less than one year.

(d) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates.

(e) Categories of financial instruments at 31 December 2009

	2009 **RMB'000**	2008 RMB'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**120,441**	122,387
Financial liabilities:		
Financial liabilities at amortised cost	**25,198**	25,535

6. Financial Risk Management *(Continued)*

(f) Fair values

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

7. Revenue

The Group's revenue which represents income from provision of services is as follows:

	2009 **RMB'000**	2008 RMB'000
Comprehensive property consultancy and sales agency service projects	**53,061**	21,985
Pure property consultancy service projects	**1,239**	1,020
	54,300	23,005

8. Other Income

	2009 **RMB'000**	2008 RMB'000
Interest income	**81**	355
Gain on disposals of property, plant and equipment	**18**	3
Gain on disposals of investment properties and prepaid land lease payments	**154**	830
Reversal of impairment loss on trade deposits	**172**	–
Sundry income	**834**	–
	1,259	1,188

9. Segment Information

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

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

Revenue from major customers

	2009 RMB'000	2008 RMB'000
Customer a	**27,329**	–
Customer b	**–**	4,490
Customer c	**–**	3,436
Customer d	**–**	2,984

10. Income Tax Expense/(Credit)

	2009 RMB'000	2008 RMB'000
Current tax - PRC enterprise income tax		
Under/(over)-provision in prior years	**363**	(17)
	363	(17)
Deferred tax (note 24)	**5,604**	(1,391)
Income tax expenses/(credit)	**5,967**	(1,408)

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year (2008: RMB Nil).

Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

10. Income Tax Expense/(Credit) *(Continued)*

The new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%. The new tax law was effective 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 Fu Yang Property Consultant Co., Ltd. ("Shanghai Fortune Sun") and Cornerstone Investment Management & Consultancy Co., Limited ("Cornerstone"). Accordingly, Shanghai Fortune Sun and Cornerstone are subject to 20% (2008: 18%) PRC enterprise income tax during the year. No PRC enterprise income tax is required since both Shanghai Fortune Sun and Cornerstone have no assessable profit for the year (2008: RMB Nil).

The reconciliation between the income tax expense/(credit) and the product of loss before tax multiplied by the PRC enterprise income tax rate is as follows:

	2009 **RMB'000**	2008 RMB'000
Loss before tax	**(5,848)**	(49,745)
Tax at the domestic income tax rate of 20% (2008: 18%)	**(1,169)**	(8,954)
Tax effect of income that is not taxable	**(635)**	–
Tax effect of expenses that are not deductible	**2,036**	4,010
Tax effect of tax losses not recognised	**4,273**	3,235
Under/(over)-provision in prior years	**363**	(17)
Difference in deferred tax liabilities arising from the change of tax rate	**1,099**	318
Income tax expense/(credit)	**5,967**	(1,408)

11. Loss for the Year

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

	2009 RMB'000	2008 RMB'000
Amortisation of prepaid land lease payments	**63**	98
Auditor's remuneration	**549**	691
Depreciation of property, plant and equipment	**373**	570
Depreciation of investment properties	**50**	103
Exchange loss, net	**2**	97
Gain on disposals of investment properties and prepaid land lease payments	**(154)**	(830)
Gain on disposals of property, plant and equipment	**(18)**	(3)
Staff costs (including directors' remuneration)		
– Fees, salaries, bonus and allowances	**8,424**	10,657
– Retirement benefits scheme contributions	**1,661**	1,917
– Equity-settled share-based payments	**851**	1,654
Other operating lease charges on land and buildings	**5,481**	5,103
Written off of investment properties and prepaid land lease payments due to loss of legal titles	**–**	3,575
Written off of other receivables	**1,487**	–
(Reversal of)/Allowance for impairment		
– Trade receivables	**264**	7,101
– Trade deposits	**(172)**	4,633

Note:

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of HK$1,000 per employee and vest fully with employees when contributed into the MPF Scheme.

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

12. Directors' and Employees' Emoluments

The emoluments of each director were as follows:

	Fees RMB'000	Salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Name of executive directors					
Mr. Chiang Chen Feng	**–**	**810**	**–**	**21**	**831**
Ms. Chang Hsiu Hua	**–**	**570**	**–**	**21**	**591**
Mr. Han Lin	**–**	**330**	**50**	**418**	**798**
Name of non-executive director					
Ms. Lin Chien Ju	**120**	**–**	**–**	**21**	**141**
Name of independent non-executive directors					
Mr. Ng Wai Hung	**143**	**–**	**–**	**21**	**164**
Mr. Cui Shi Wei	**154**	**–**	**–**	**21**	**175**
Dr. Cheng Chi Pang	**154**	**–**	**–**	**21**	**175**
Total for 2009	**571**	**1,710**	**50**	**544**	**2,875**
Name of executive directors					
Mr. Chiang Chen Feng	–	744	–	37	781
Ms. Chang Hsiu Hua	–	558	–	37	595
Mr. Han Lin	–	350	37	715	1,102
Name of non-executive director					
Ms. Lin Chien Ju	165	–	–	37	202
Name of 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
Total for 2008	616	1,652	37	935	3,240

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2008: Nil).

12. Directors' and Employees' Emoluments *(Continued)*

The five highest paid individuals in the Group during the year included 3 (2008: 3) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 2 (2008: 2) individuals are set out below:

	2009 RMB'000	2008 RMB'000
Basic salaries and allowances	**1,347**	1,261
Share-based payments	**128**	220
Retirement benefit scheme contributions	**70**	46
	1,545	1,527

The emoluments fell within the following band:

	Number of individuals	
	2009	2008
Nil to HK$1,000,000	**2**	2

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

13. (Loss)/Profit for the year Attributable to Owners of the Company

The loss for the year attributable to owners of the Company included a loss of approximately RMB7,804,000 (2008: profit of RMB2,225,000) which has been dealt with in the financial statements of the Company.

14. Loss Per Share

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately RMB11,815,000 (2008: RMB48,265,000) and the weighted average number of ordinary shares of 200,470,000 (2008: 200,263,758) in issue during the year.

(b) Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary share during the two years ended 31 December 2009.

15. Property, Plant and Equipment

	Group				
	Furniture and fixtures RMB'000	Computers RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
At 1 January 2008	527	1,991	1,598	1,153	5,269
Additions	56	212	–	170	438
Disposals	(37)	(388)	(197)	–	(622)
Exchange differences	(6)	(4)	(16)	–	(26)
At 31 December 2008 and 1 January 2009	540	1,811	1,385	1,323	5,059
Additions	–	–	–	1,503	1,503
Disposals	–	(54)	–	(120)	(174)
At 31 December 2009	540	1,757	1,385	2,706	6,388
Accumulated depreciation					
At 1 January 2008	400	1,146	1,391	736	3,673
Charge for the year	61	280	91	138	570
Disposals	(23)	(284)	(86)	–	(393)
Exchange differences	(3)	(2)	(11)	–	(16)
At 31 December 2008 and 1 January 2009	435	1,140	1,385	874	3,834
Charge for the year	39	221	–	113	373
Disposals	–	(48)	–	(108)	(156)
At 31 December 2009	474	1,313	1,385	879	4,051
Carrying amount					
At 31 December 2009	66	444	–	1,827	2,337
At 31 December 2008	105	671	–	449	1,225

15. Property, Plant and Equipment *(Continued)*

	Company			
	Furniture and fixtures RMB'000	Computers RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost				
At 1 January 2008	105	63	273	441
Exchange differences	(6)	(4)	(16)	(26)
At 31 December 2008 and 1 January 2009 and 31 December 2009	99	59	257	415
Accumulated depreciation				
At 1 January 2008	56	28	188	272
Charge for the year	32	20	80	132
Exchange differences	(3)	(2)	(11)	(16)
At 31 December 2008 and 1 January 2009	85	46	257	388
Charge for the year	14	12	–	26
At 31 December 2009	99	58	257	414
Carrying amount				
At 31 December 2009	–	1	–	1
At 31 December 2008	14	13	–	27

16. Prepaid Land Lease Payments

	Group	
	2009	2008
	RMB'000	RMB'000
At 1 January	**1,766**	4,950
Additions	**3,169**	–
Amortisation of prepaid land lease payments	**(63)**	(98)
Written off	**–**	(1,654)
Disposals	**(2,861)**	(1,432)
At 31 December	**2,011**	1,766

The Group's prepaid land lease payments represent payments for land use rights in the PRC.

The Group's prepaid land lease payments are analysed as follows:

	2009	2008
	RMB'000	RMB'000
Outside Hong Kong:		
Long leases	**1,409**	873
Medium-term leases	**602**	893
	2,011	1,766

17. Investment Properties

	Group RMB'000
Cost	
At 1 January 2008	5,230
Additions	103
Written off	(2,053)
Disposals	(1,704)
At 31 December 2008 and 1 January 2009	1,576
Additions	2,416
Disposals	(1,934)
At 31 December 2009	2,058
Accumulated depreciation	
At 1 January 2008	198
Charge for the year	103
Written off	(132)
Disposals	(90)
At 31 December 2008 and 1 January 2009	79
Charge for the year	50
Disposals	(55)
At 31 December 2009	74
Carrying amount	
At 31 December 2009	1,984
At 31 December 2008	1,497

17. Investment Properties *(Continued)*

The Group's investment properties at their carrying amounts are analysed as follows:

	2009 **RMB'000**	2008 RMB'000
Outside Hong Kong:		
Long leases	**1,318**	933
Medium-term leases	**666**	564
	1,984	1,497

All investment properties are located in the PRC. During the year, the Group disposed of eight (2008: six) of its investment properties with a carrying value of RMB4,740,000 (2008: RMB3,046,000) including the corresponding prepaid land lease payments portion (note 16) at a consideration of RMB4,894,000 (2008: RMB3,876,000) resulting in a total gain of RMB154,000 (2008: RMB830,000) on disposals.

An independent professionally qualified valuer, BMI Appraisals Limited, is of the opinion that, had investment properties, including the corresponding prepaid land lease payments portion, been carried at their fair values, the amounts would be RMB6,435,000 (2008: RMB6,595,000). 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 an open market basis.

18. Investments in Subsidiaries

	The Company	
	2009 **RMB'000**	2008 RMB'000
Unlisted investments, at cost	**497**	497
Less: impairment losses	**–**	–
	497	497

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

18. Investments in Subsidiaries *(Continued)*

Particulars of the subsidiaries at 31 December 2009 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 each	100%	Investment holding
High Color Investments Limited	BVI, 5 July 2006	50,000 ordinary shares of US$1 each	100%	Investment holding
Fortune Sun Assets Management Company Limited	BVI, 19 March 2008	1 ordinary share of US$1	100%	Not yet commenced business
Indirectly held:				
Shanghai Fortune Sun (note a)	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	PRC, 26 September 2005	US$200,000 registered capital	100%	Provision of property consultancy agency and services and fund management in the PRC
Full Sincerity Advertising Company Limited	Taiwan, 24 November 2006	2,000,000 ordinary shares of NT$10 each	75%	Property consultancy and agency services providing for the primary primary property market in Taiwan
Shanghai Yang Shi Enterprise Development Company Limited (上海陽石企業發展有限公司)	PRC, 9 September 2009	RMB2,000,000 registered capital	100%	Not yet commenced business

Note:

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

19. Trade Receivables

	Group	
	2009	2008
	RMB'000	RMB'000
Trade receivables	**55,220**	34,239
Less: Allowance for impairment	**(6,721)**	(7,039)
	48,499	27,200

Impairment loss of trade receivables is made after the directors have considered the timing and probability of the collection.

The credit period granted to trade customers generally ranges from 1 month to 3 months. The ageing analysis of the Group's trade receivables, based on the billing summary, and net of allowances is as follows:

	2009	2008
	RMB'000	RMB'000
Within 90 days	**14,953**	1,346
Between 91 to 180 days	**13,555**	1,336
Between 181 to 365 days	**1,102**	8,651
Between 1 to 2 years	**6,455**	9,878
Over 2 years	**12,434**	5,989
	48,499	27,200

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

	2009	2008
	RMB'000	RMB'000
At 1 January	**7,039**	1,989
Allowance for the year	**264**	7,101
Amounts written off	**(582)**	(2,051)
At 31 December	**6,721**	7,039

19. Trade Receivables *(Continued)*

At the end of the reporting period, the Group reviews receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2009, the Group has determined trade receivables of RMB6,721,000 (2008: RMB7,039,000) as individually impaired. The impaired trade receivables are due from the individual customers which are experiencing financial difficulties and are in default or delinquency of payments.

The carrying amounts of the Group's trade receivables are denominated in RMB.

As of 31 December 2009, trade receivables of RMB33,546,000 (2008: RMB25,854,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2009	2008
	RMB'000	RMB'000
Up to 3 months	**13,555**	1,336
4 to 9 months	**1,102**	8,651
10 to 21 months	**6,455**	9,878
More than 21 months	**12,434**	5,989
	33,546	25,854

Trade receivables that were past due but not impaired related to a number of diversified customers having a good track record with the Group. Based on past experience, 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 still considered fully recoverable. Except for the gross balance of RMB22,152,000 in which the customer used their properties as collateral for the balance due to the Group and the Group becomes the second mortgagee against the properties, the Group does not hold any collateral over the remaining balances.

20. Trade Deposits

	Group	
	2009	2008
	RMB'000	RMB'000
Trade deposits	**41,229**	52,449
Less: Allowance for impairment	**(6,261)**	(9,433)
	34,968	43,016

20. Trade Deposits *(Continued)*

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.

Impairment loss of trade deposits is made after the directors have considered the timing of the collection.

No credit period is granted to the customers. These trade deposits are refundable when the prescribed terms in the underlying agency contracts are achieved. Based on the payment date, ageing analysis of the Group's trade deposits (net of allowance for impairment) at the end of the reporting period is as follows:

	2009 **RMB'000**	2008 RMB'000
Within 90 days	**454**	94
Between 91 and 180 days	**848**	489
Between 181 and 365 days	**339**	18,037
Between 1 to 2 years	**18,108**	13,269
Between 2 to 3 years	**11,789**	9,731
Over 3 years	**3,430**	1,396
	34,968	43,016

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

	2009 **RMB'000**	2008 RMB'000
At 1 January	**9,433**	4,800
(Reversal)/allowance for the year	**(172)**	4,633
Amounts written off	**(3,000)**	–
At 31 December	**6,261**	9,433

At the end of the reporting period, the Group reviews the trade deposits for evidence of impairment on both an individual and collective basis. As at 31 December 2009, the Group has determined trade deposits of RMB6,261,000 (2008: RMB9,433,000) as individually impaired. The impaired trade deposits are due from the individual developers which are experiencing financial difficulties and are in default or delinquency of payments.

20. Trade Deposits *(Continued)*

As of 31 December 2009, trade deposits of RMB4,515,000 (2008: RMB10,332,000) were past due but not impaired. The ageing analysis of these trade deposits is as follows:

	2009 RMB'000	2008 RMB'000
Up to 3 months	–	4,148
4 to 9 months	4,515	6,184
	4,515	10,332

Trade deposits that were past due but not impaired related to a number of diversified customers having a good track record with the Group. Based on past experience, 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. Except for the gross balance of RMB20,000,000 in which the customer used their properties as collateral for the balance due to the Group and the Group becomes the second mortgagee against the properties, the Group does not hold any collateral over the remaining balances.

21. Other Receivables

Included in other receivables are the receivable from the Current Investment Partner of RMB19,192,000 (2008: RMB21,012,000) (notes 30 and 31(i)).

22. Bank and Cash Balances

As at 31 December 2009, the Group's bank and cash balances included short-term bank deposits amounted to RMB4,500,000 (2008: RMB4,000,000). The deposits are denominated in RMB and at a fixed interest rate of 0.36% (2008: 1.7%) p.a. and therefore are subject to fair value interest rate risk.

As at 31 December 2009, the bank and cash balances of the Group denominated in RMB amounted to RMB7,132,000 (2008: RMB18,084,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

22. Bank and Cash Balances *(Continued)*

Analysis of the bank and cash balances denominated in the presentation currency and the currencies other than the presentation currency is as follows:

	2009 RMB'000	2008 RMB'000
RMB	**7,132**	18,084
US$	**83**	92
HK$	**1,648**	822
NT$	**112**	291
	8,975	19,289

23. Accruals and Other Payables

Included in accruals and other payables are the payables to Plaintiffs of RMB19,192,000 (2008: RMB21,012,000) (notes 30 and 31(i)).

24. Deferred Tax

The following are the major deferred tax liabilities and (assets) recognised by the Group:

	Uninvoiced revenue RMB'000	**Uninvoiced expenses** RMB'000	**Total** RMB'000
At 1 January 2008	6,059	–	6,059
Charge/(credit) to profit or loss for the year (note 10)			
– origination and reversal of temporary differences	(1,628)	(81)	(1,709)
– changes in tax rates	327	(9)	318
At 31 December 2008 and 1 January 2009	4,758	(90)	4,668
Charge/(credit) to profit or loss for the year (note 10)			
– origination and reversal of temporary differences	4,738	(233)	4,505
– changes in tax rates	1,131	(32)	1,099
At 31 December 2009	10,627	(355)	10,272

24. Deferred Tax *(Continued)*

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

	Group	
	2009	2008
	RMB'000	RMB'000
Deferred tax liabilities	**10,627**	4,758
Deferred tax assets	**(355)**	(90)
	10,272	4,668

At the end of the reporting period the Group has unused tax losses of approximately RMB39,338,000 (2008: RMB17,976,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB17,976,000 (2008: RMB17,976,000) and RMB21,362,000 (2008: RMB Nil) will expire in 2013 and 2014 respectively.

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

25. Share Capital

	Number of ordinary shares '000	Nominal Value HK$'000	RMB'000
Authorised:			
Ordinary shares of HK$0.1 each			
At 31 December 2008			
and 31 December 2009	2,000,000	200,000	206,000
Issued and fully paid:			
Ordinary shares of HK$0.1 each			
At 1 January 2008	200,250	20,025	20,624
Exercise of share options (note 27)	220	22	20
At 31 December 2008			
and 1 January 2009			
and 31 December 2009	200,470	20,047	20,644

During the year ended 31 December 2008, 220,000 ordinary shares of HK$0.1 each were issued in relation to share options exercised by senior management under the Pre-IPO Share Option Scheme of the Company at HK$0.795 for a total cash consideration of HK$174,900 (equivalent to RMB155,000). The excess of the subscription consideration received over the nominal values issued, amounted to HK$152,900 (equivalent to RMB135,000) was credited to the share premium account.

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

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, minority interests, retained profits and other reserves).

25. Share Capital *(Continued)*

It is the Group's strategy to keep the net debt-to-adjusted capital ratio as low as feasible. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends, issue new shares, raise new debts or sell assets to reduce debts.

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

26. Reserves

(a) Group

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

(b) Company

	Share premium RMB'000	Share-based payment reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2008	44,901	2,050	(6,821)	(7,708)	32,422
Issue of share on exercise of share options	214	(79)	–	–	135
Share-based payments	–	1,654	–	–	1,654
Currency translation differences	–	–	(149)	–	(149)
Profit for the year	–	–	–	2,225	2,225
Dividends	(4,682)	–	–	–	(4,682)
At 31 December 2008	40,433	3,625	(6,970)	(5,483)	31,605
At 1 January 2009	**40,433**	**3,625**	**(6,970)**	**(5,483)**	**31,605**
Share-based payments	**–**	**851**	**–**	**–**	**851**
Currency translation differences	**–**	**–**	**(26)**	**–**	**(26)**
Share options lapsed after vesting period	**–**	**(36)**	**–**	**36**	**–**
Loss for the year	**–**	**–**	**–**	**(7,804)**	**(7,804)**
At 31 December 2009	**40,433**	**4,440**	**(6,996)**	**(13,251)**	**24,626**

26. Reserves *(Continued)*

(c) Nature and purpose of reserves

(i) Share premium

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

(ii) Share-based payment reserve

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

(iii) Foreign currency translation reserve

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

27. Share-based Payments

Equity-settled share option scheme

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

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

27. Share-based Payments *(Continued)*

Equity-settled share option scheme *(Continued)*

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

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

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

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

No share option was exercised during the year ended 31 December 2009.

Details of the specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price HK$
Pre-IPO Share Option Scheme	10.6.2006	5.7.2006 to 4.7.2007	5.7.2007 to 4.7.2016	0.795
Share Option 1	12.3.2008	12.3.2008 to 11.3.2009	12.3.2009 to 11.3.2018	1.12
Share Option 2	12.3.2008	12.3.2008 to 11.3.2010	12.3.2010 to 11.3.2018	1.12

27. Share-based Payments *(Continued)*

Equity-settled share option scheme *(Continued)*

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

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

	2009		2008	
	Number of share options	Weighted average exercise price HK$	Number of share options	Weighted average exercise price HK$
Outstanding at beginning of the year	**9,270,000**	**0.987**	4,850,000	0.795
Granted during the year	**–**	**–**	6,000,000	1.120
Exercised during the year	**–**	**–**	(220,000)	0.795
Forfeited during the year	**(550,000)**	**1.061**	(1,360,000)	0.926
Outstanding at end of the year	**8,720,000**	**0.982**	9,270,000	0.987
Exercisable at end of the year	**6,220,000**	**0.926**	3,820,000	0.795

The weighted average share price at the date of exercise for share options exercised during the year was HK$ Nil (2008: HK$1). The options outstanding at end of the year have a weighted average remaining contractual life of 7.6 years (2008: average life of 9 years) and the exercise prices range from HK$0.795 to HK$1.12 (2008: HK$0.795 to HK$1.12). No options were granted in 2009, whereas in 2008, option was granted on 12 March. The estimated fair values of the options granted on this date are HK$0.671 (Share Option 1) and HK$0.718 (Share Option 2) respectively.

27. Share-based Payments *(Continued)*

Equity-settled share option scheme *(Continued)*

These fair values were calculated using the Binominal Option Pricing model. The inputs into the model are as follows:

	Date of grant	
	12.3.2008	10.6.2006
Weighted average share price	HK$1.12	HK$1.06
Exercise price	HK$1.12	HK$0.795
Expected volatility	92%	42%
Expected life	10 years	10 years
Risk free rate	2.88%	4.84%
Expected dividend yield	2.50%	3.50%

Expected volatility on the Share Option Scheme was determined based on past one year historical price volatility of similar listed companies. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expenses of RMB851,000 for year ended 31 December 2009 (2008: RMB1,654,000) in relation to share options granted by the Company.

28. Notes to the Consolidated Statement of Cash Flows

Additions to investment properties, including the corresponding prepaid land lease payments portion, during the year of RMB1,972,000, RMB330,000, and RMB3,123,000 were acquired by offsetting against the trade receivables, other receivables, and deposits for investment properties and prepaid land lease payments respectively during the year ended 31 December 2009.

29. Lease Commitments

At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**2,607**	3,048	**385**	617
In the second to fifth years inclusive	**67**	1,051	**–**	411
	2,674	4,099	**385**	1,028

The Group and the Company lease a number of properties under operating leases. The leases run for an initial period from 1 to 2 years, with an option to renew the lease and renegotiate the terms at the expiry date or dates as mutually agreed between the Group and the Company and respective landlords/lessors. None of the leases include contingent rentals.

30. Litigations

In April 2008, Shanghai Fortune Sun entered into an agreement with Shanghai Min Xin Investment and Management Consultant Company Limited (上海名昕投資管理咨詢有限公司), (the "Former Investment Partner") and Shanghai Xi Ge Ma Land Company Limited (上海希格瑪置業有限公司), (the "Former Customer") to act as the principal sale and consultancy agents for the Subject Project as defined below.

Acting as a sale agent, Shanghai Fortune Sun signed agreements (the "Agreements Under Dispute") with two individual customers (the "Plaintiffs") in May 2008 for the purchase of 5 property units from a real estate project in Shanghai (the "Subject Project") and Shanghai Fortune Sun received the prepayment of approximately RMB33,616,000 from the Plaintiffs and subsequently transferred the amount received back to the Former Customer through the Former Investment Partner.

30. Litigations *(Continued)*

Shanghai Fortune Sun were unable to notify the Plaintiffs in writing of inspection and taking of delivery of these 5 property units before 1 June 2008, and arrange for signing of the formal sale and purchase agreement for the purchase of these properties within three months after the date of the respective Agreement Under Dispute in accordance with the terms thereof as the property development project had been sold from the Former Customer to Shanghai Bao Rui Land Company Limited (上海寶瑞置業有限公司) (the "Current Customer"). As a consequence, the Plaintiffs required Shanghai Fortune Sun to refund the prepayment paid. Total amount of RMB18,000,000 were repaid to the Plaintiffs and the remaining balance of approximately RMB15,616,000 remained outstanding up to 31 December 2008. The Plaintiffs undertook legal actions (the "Litigations") against Shanghai Fortune Sun and the total amount claimed by the Plaintiff amounted to approximately RMB21,012,000 (the "Claimed Amount") which represented the unpaid outstanding prepayment and the related default interest of approximately RMB5,396,000 accrued up to 31 December 2008, together with the costs of the Litigations and has been recognised as other payables in the consolidated statement of financial position as at 31 December 2008.

On 23 October 2008, Shanghai Fortune Sun entered into an agreement with the Current Customer and Shanghai Ke Shang Property Consultant Company Limited (上海可上房產咨詢有限公司) (the "Current Investment Partner") to act as the principal sale and consultancy agents for the Subject Project. The Current Investment Partner has unconditionally agreed to undertake the obligations, inter alia, for the refund of any prepayment made to Shanghai Fortune Sun by its customers in the course of 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 assume any liabilities of the default compensation and interests arising from any related legal proceedings by these customers against Shanghai Fortune Sun (the "Indemnified Liabilities"). The agreement by the Current Investment Partner to pay the Group the Claimed Amount of approximately RMB21,012,000 accrued up to 31 December 2008 has been recognised as other receivables in the consolidated statement of financial position as at 31 December 2008.

The Litigations were settled subsequent to the end of the reporting period (note 31(i)) and the Claimed Amount was agreed to be reduced to RMB20,000,000 (the "Settlement Amount"). RMB808,000 was partially settled during the year. Further information is set out in the note 31(i) to the financial statements. Therefore, the remaining Settlement Amount of RMB19,192,000 as at 31 December 2009 has been recognised as other payables in the consolidated statement of financial position. In addition, the agreement by the Current Investment Partner to pay the Group the Indemnified Liabilities of RMB19,192,000 has been recognised as other receivables in consolidated statement of financial position as at 31 December 2009.

31. Events After the Reporting Period

(i) Settlement of Litigations

On 20 February 2010, Shanghai Fortune Sun and the Plaintiffs have entered into a settlement agreement (the "Settlement Agreement") in relation to the settlement of the Litigations, pursuant to which Shanghai Fortune Sun has agreed to pay to the Plaintiffs the Settlement Amount in full settlement of the Litigations. The Settlement Amount comprises (1) approximately RMB15,616,000, being the aggregate amount of prepayments made by the Plaintiffs for the purchase of 5 property units from the Subject Project; and (2) approximately RMB4,384,000, being default interests in respect of the breaches of the Agreements Under Dispute by Shanghai Fortune Sun and the costs of the Litigations.

Pursuant to the Settlement Agreement, a sum of RMB808,000, being the approximate bank balance up to 3 November 2009 in a bank account of Shanghai Fortune Sun as frozen by the court in Shanghai, was debited for payment of part of the Settlement Amount, and the balance of the Settlement Amount (being RMB19,192,000) shall be paid by Shanghai Fortune Sun to the Plaintiffs in monthly installments as to (i) RMB892,000, payable before 25 February 2010; (ii) RMB1,700,000 per month, payable before the 25th day of each calendar month for the period from March 2010 to December 2010; and (iii) RMB1,300,000, payable before 25 January 2011.

Pursuant to the letter of commitment issued by Shanghai Zhilian Enterprise Development Company Limited (上海智連企業發展有限公司) ("Shanghai Zhilian"), a wholly-owned subsidiary of the Current Investment Partner and an independent third party of the Group, to Shanghai Pudong New District People's Court dated 20 February 2010, Shanghai Zhilian has unconditionally agreed to guarantee the repayment obligations of Shanghai Fortune Sun for the Settlement Amount. In addition, Shanghai Zhilian has also provided two residential units and the corresponding parking lots from the Subject Project (which are free from encumbrances and tenancy) to the court as security for the undertaking.

(ii) Subsequent to the end of the reporting period the Group disposed of two investment properties at a total consideration of RMB1,070,000.

32. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

33. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 22 April 2010.

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				
	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**54,300**	23,005	97,942	74,824	115,862
(Loss)/Profit attributable to owners of the Company for the year	**(11,815)**	(48,265)	22,646	19,199	40,987

	At 31 December				
	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES					
Total assets	**130,033**	135,754	176,897	165,963	98,491
Total liabilities	**35,470**	30,203	20,309	26,013	38,419
Total equity	**94,563**	105,551	156,588	139,950	60,072

Note:

(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 the reorganisation which was completed on 10 June 2006 to rationalise the structure of the Group in preparation for the listing of the Company on the main board of the Stock Exchange (the "Reorganisation").

(2) The summary financial information for the year ended 31 December 2005 has 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, 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 552.32 sq.m (area of the underground rooms)	Residential	100%	Long
2.	Room 503 of Block No. 9, of Chayuanxiaoqu Phase II (茶苑二期), Tongwang Village (童王村), Xiaying Street (下應街道), Yinzhou District (鄞州區), Ningbo City, Zhejiang Province, the PRC	approximately 42.43 sq.m	Residential	100%	Long
3.	Unit Nos. 201 & 202 of Block No. 301 and Bicycle Parking Space No. 50 of Xiang Di Ya Jing, No. 1028 Renmin West Road, Haimen City, Jiangsu Province, the PRC	approximately 276.58 sq.m	Residential and bicycle parking	100%	Long
4.	Room Nos. 29 and 30 on Level 8 of No. 598 Jiangnan Road, Science and Technology Park District, Ningbo City, Zhejiang Province, the PRC	approximately 176.90 sq.m	Office	100%	Medium-term