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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

The board (the "Board") of directors (the "Directors") of Fortune Sun (China) Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2008 together with the comparative figures for 2007, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

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

CONSOLIDATED BALANCE SHEET
As at 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**1,225**	1,596
Investment properties		**1,497**	5,032
Prepaid premium for land leases		**1,766**	4,950
Deposits for investment properties and prepaid premium for land leases		**3,123**	—
Golf club membership		**291**	291
		7,902	11,869
Current assets			
Trade receivables	*10*	**27,200**	42,307
Trade deposits	*11*	**43,016**	38,341
Prepayments and other deposits		**6,118**	7,015
Other receivables	*12*	**31,866**	4,356
Tax prepaid		**363**	—
Cash and cash equivalents		**19,289**	73,009
		127,852	165,028
Current liabilities			
Accrued expenses and other payables	*12*	**25,535**	9,882
Tax payables		**—**	4,368
		25,535	14,250
Net current assets		**102,317**	150,778
Total assets less current liabilities		**110,219**	162,647
Non-current liabilities			
Deferred tax liabilities		**4,668**	6,059
Net assets		**105,551**	156,588
CAPITAL AND RESERVES			
Share capital		**20,644**	20,624
Reserves		**84,907**	135,892
Equity attributable to equity holders of the Company		**105,551**	156,516
Minority interests		**—**	72
Total equity		**105,551**	156,588

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 28 January 2003 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 5 July 2006.

The principal activity of the Company is investment holding. The Group is principally engaged in providing property consultancy and agency services for the primary property market in the People's Republic of China (the "PRC").

2. BASIS OF PREPARATION

These consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS", collectively referred to as the "HKFRSs"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Hong Kong Companies Ordinance.

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

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

(a) Litigations

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

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

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

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

(b) Cash flow forecast with certain underlying assumptions

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

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

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

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

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

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

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

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

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates.

3. ADOPTION OF NEW AND AMENDED HKFRSs

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

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

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

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

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

Various — Annual Improvements to HKFRS 2008 [5]

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

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

4. REVENUE AND TURNOVER

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

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

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

5. OTHER INCOME

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

6. (LOSS)/PROFIT BEFORE INCOME TAX

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

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

7. INCOME TAX CREDIT/(EXPENSE)

Income tax credit/(expense) represents:	**2008**	2007
	RMB'000	*RMB'000*
Current income tax		
— PRC enterprise income tax	**17**	(6,155)
Deferred tax liabilities	**1,391**	(606)
Total income tax credit/(expense)	**1,408**	(6,761)

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

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

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

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

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

8. DIVIDENDS

	2008	2007
	RMB'000	*RMB'000*
Dividend paid in respect of the previous financial year	**4,682**	4,747
Proposed final dividends	**—**	4,682
	4,682	9,429

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

At the annual general meeting held on 20 June 2008, final dividend for the year ended 31 December 2007 of HK$2.5 cents per share, totalling approximately HK$5,000,000 (equivalent to approximately RMB4,682,000) was approved by the shareholders. The dividend was paid out of the share premium account on 28 August 2008.

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share is based on the consolidated loss attributable to equity holders of the Company of approximately RMB48,256,000 (2007: profit of RMB22,646,000) and the weighted average number of 200,263,758 (2007: 200,080,548) ordinary shares in issue during the year.

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

For the year ended 31 December 2007, the calculation of diluted earnings per share was based on the consolidated profit attributable to equity holders of the Company of approximately RMB22,646,000 and the weighted average number of ordinary shares of 200,868,733, which was calculated based on the weighted average of 200,080,548 ordinary shares in issue during the year plus the weighted average of 788,185 ordinary shares deemed to be issued at no consideration had the Company's share options all been exercised.

10. TRADE RECEIVABLES

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

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

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

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

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

11. TRADE DEPOSITS

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

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

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

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

12. OTHER RECEIVABLES AND OTHER PAYABLES

With the facts set out in note 2(a) above, after the attempts made by the management of Shanghai Fortune Sun to resolve the matter, the Investment Partner, which subsequently replaced the original investment partner and became the joint sale agent of the property development project in Shanghai with Shanghai Fortune Sun, has agreed unconditionally to bear the repayment obligations for the Indemnified Liabilities. As at 31 December 2008, total amounts of RMB18,000,000 were repaid to these two customers and the remaining balance of RMB15,616,000 remained outstanding. Together with the estimated related default interest of RMB5,396,000 accrued up to 31 December 2008, the total amount of RMB21,012,000 were recognised as other payables with the corresponding amount debited to other receivables due from the Investment Partner, accordingly.

EXTRACT FROM INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

Basis for disclaimer of opinion: fundamental uncertainty relating to the going concern basis

1. Litigations

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

In October 2008, Shanghai Fortune Sun entered into an agreement with the Investment Partner to act as the principal sale and consultancy agents for this project in Shanghai. The Investment Partner has unconditionally agreed to undertake the obligations for the Indemnified Liabilities. The agreement by the Investment Partner to pay the Group the Deposit Amount and the related default interest of approximately RMB5,396,000 accrued up to 31 December 2008 has been recognised as other payables in the consolidated balance sheet as at 31 December 2008 has been recognised as other receivables in the consolidated balance sheet as at 31 December 2008.

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

2. Cash flow forecast with certain underlying assumptions

In addition to the Litigations, the Group incurred a loss attributable to the equity holders of the Company of RMB48,265,000 and had a net cash outflow from operating activities of RMB49,478,000 for the year ended 31 December 2008. As at 31 December 2008, the Group's cash and cash equivalents amounted to RMB19,289,000. As more fully explained in note 2(b) to the consolidated financial statements, in light of the tight working capital available and cash held on hand as at 31 December 2008, the Directors have prepared the Cash Flow Forecast based on the Assumptions including a timely recovery of the property market conditions in the PRC in the next twelve months, timely repayment schedules from the property developers on the trade deposits as well as the estimated agency income. Based on the results of the Cash Flow Forecast, the Directors prepared the financial statements on a going concern basis. The validity of the going concern basis of preparation depends on how accurate the Directors are in estimating all the Assumptions.

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

Disclaimer of opinion

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET & BUSINESS REVIEW

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

Under this unsatisfactory market condition, our Group's annual turnover in 2008 was approximately RMB23.0 million, representing a drastic drop of approximately 77% as compared to approximately RMB97.9 million in 2007. The drop in revenue was due to both the slow sales for projects and less revenue contributed by some close-to-complete projects, which can be reflected by the decrease in the saleable area being sold under the comprehensive property consultancy and agency projects undertaken by the Group. For the year under review, the revenue generated from the comprehensive property consultancy and agency projects decreased by approximately 77% to approximately RMB22.0 million from approximately RMB97.7 million in 2007.

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

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

Comprehensive property consultancy and agency business

The provision of comprehensive property consultancy and agency services for the primary property market in the PRC is the core business of the Group. In 2008, the turnover of the Group was generated from 25 comprehensive property consultancy and agency projects (2007: 28 projects) with approximately 330,000 square metres (2007: approximately 692,000 square metres) of gross floor areas of the relevant underlying projects. The reported revenue from these comprehensive property consultancy and agency projects for the year ended 31 December 2008 was approximately RMB21.99 million, representing approximately 95.6% of the total turnover of the Group.

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

FUTURE PROSPECTS

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

BANK BORROWINGS AND OVERDRAFT

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

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

LITIGATIONS

As mentioned in note 2 (a) to the consolidated financial statements, there are Litigations being undertaken against the principal operating subsidiary of the Group, Shanghai Fortune Sun, in early 2009. Details of the Litigations are set out as follows:

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

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

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

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

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

CONTINGENT LIABILITIES

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

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

In the circumstance that the Investment Partner fails to meet the obligations for the shortfall, Shanghai Fortune Sun and the Investment Partner are jointly obliged to pay an additional amount which is 10% of the Guaranteed Sales, totalling RMB82,499,000. The sale of this project only commenced in March 2009 and the sales period is to expire in 2010. The Directors are of the opinion that the Guaranteed Sales can be ultimately met in 2010, and accordingly the contingent liabilities are not recognised in the financial statement as at 31 December 2008.

CAPITAL COMMITMENTS

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

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 2008, the Group had a total of 252 staff (2006: 295 staff), whose remuneration and benefits are determined based on market rates, state policies and individual performance.

CORPORATE GOVERNANCE

The Company has adopted and complied with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2008, except for CG Code provision A.2.1 regarding the segregation of responsibilities between the chairman and chief executive officer ("CEO") which have not been segregated.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

COMMITTEES OF THE BOARD

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

EXECUTIVE COMMITTEE

The Company had established an Executive Committee ("EC") which is comprised of all the executive Directors. The EC meets as and when required to oversee 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.

AUDIT COMMITTEE

Pursuant to the requirements of the CG Code and Rule 3.21 of the Listing Rules, the Company has established an audit committee (the "Audit Committee") comprising all three existing independent non-executive Directors. 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. The Group's annual results for the year ended 31 December 2008 had been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Company has established its remuneration committee (the "Remuneration Committee") in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. 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. The Remuneration Committee had three members comprising all three independent non-executive Directors.

NOMINATION COMMITTEE

The Company has set up a nomination committee (the "Nomination Committee") as recommended by the CG Code as set out in Appendix 14 to the Listing Rules. The purpose of the Nomination Committee is to consider the nomination of new Directors, such as the qualification, ability, working experience, leadership and professional ethics of potential candidates.

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

The Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the year ended 31 December 2008.

CLOSURE OF REGISTER OF MEMBERS

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

In order to qualify for attending and voting at the 2008 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4.30 p.m. on (Tuesday) 16 June 2009.

DISCLOSURE OF INFORMATION ON STOCK EXCHANGE'S WEBSITE

The results announcement will be published on the Company's website (http://www.fortune-sun.com) and the Stock Exchange's website (http://www.hkex.com.hk). The 2008 Annual Report will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange in due course.

2008 ANNUAL GENERAL MEETING

It is proposed that the 2008 Annual General Meeting of the Company will be held on (Friday) 19 June 2009. A notice convening the 2008 Annual General Meeting will be published on the Company's website (www.fortune-sun.com) and the Stock Exchange's website (http://www.hkex.com.hk) and will be despatched to the shareholders of the Company accordingly.

By order of the Board
Fortune Sun (China) Holdings Limited
Chiang Chen Feng
Chairman

Hong Kong, 22 April 2009

As at the date of this announcement, the executive Directors are Mr. Chiang Chen Feng, Ms. Chang Hsiu Hua and Mr. Han Lin; the non-executive Director is Ms. Lin Chien Ju; and the independent non-executive Directors are Mr. Ng Wai Hung, Mr. Cui Shi Wei, and Dr. Cheng Chi Pang.