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## 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 2009

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 2009 together with the comparative figures for 2008, as follows:

#### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
<b>Revenue</b>	4	<b>54,300</b>	23,005
Business tax and other levies		(2,685)	(1,088)
Cost of service rendered		(42,026)	(35,183)
<b>Gross profit/(loss)</b>		<b>9,589</b>	(13,266)
Other income	6	1,259	1,188
Operating and administrative expenses		(16,696)	(37,667)
<b>Loss before tax</b>		<b>(5,848)</b>	(49,745)
Income tax (expense)/credit	8	(5,967)	1,408
<b>Loss for the year</b>	7	<b>(11,815)</b>	(48,337)
<b>Attributable to:</b>			
Owners of the Company		(11,815)	(48,265)
Minority interests		—	(72)
		<b>(11,815)</b>	<b>(48,337)</b>
		<i>RMB cents</i>	<i>RMB cents</i>
<b>Loss per share</b>	10		
— Basic		<b>(5.89)</b>	(24.10)
— Diluted		<b>N/A</b>	N/A

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	<i>Note</i>	<b>2009</b> <i>RMB'000</i>	2008 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		2,337	1,225
Prepaid land lease payments		2,011	1,766
Investment properties		1,984	1,497
Deposits for investment properties and prepaid land lease payments		–	3,123
Golf club membership		291	291
		<u>6,623</u>	<u>7,902</u>
<b>Current assets</b>			
Trade receivables	<i>11</i>	48,499	27,200
Trade deposits	<i>12</i>	34,968	43,016
Prepayments and other deposits		4,116	6,118
Other receivables	<i>13</i>	26,852	31,866
Current tax assets		–	363
Bank and cash balances		8,975	19,289
		<u>123,410</u>	<u>127,852</u>
<b>Current liabilities</b>			
Accruals and other payables	<i>14</i>	25,198	25,535
<b>Net current assets</b>		<u>98,212</u>	<u>102,317</u>
<b>Total assets less current liabilities</b>		<u>104,835</u>	<u>110,219</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		10,272	4,668
<b>NET ASSETS</b>		<u>94,563</u>	<u>105,551</u>
<b>Capital and reserves</b>			
Share capital		20,644	20,644
Reserves		73,919	84,907
<b>Equity attributable to owners of the Company</b>		<u>94,563</u>	<u>105,551</u>
Minority interests		–	–
<b>TOTAL EQUITY</b>		<u>94,563</u>	<u>105,551</u>

# 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 financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations and the applicable disclosures required by the Rules ("Listing Rules") Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

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

In preparing these financial statements, the Directors have given consideration to the liquidity of the Group and its ability to meet its ongoing obligations. The Group incurred a loss attributable to the owners of the Company of RMB11,815,000 and had 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 Fu Yang Property Consultant Co., Ltd. ("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 the notes of the Litigations and Settlement of Litigations (see below).

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. BASIS OF PREPARATION** *(Continued)*

As the Directors believe that the Current Investment Partner (defined hereinafter in the paragraph headed “Disclosure pursuant to Rules 13.13 and 13.15 of the Listing Rules” below) is able to repay Shanghai Fortune Sun the Indemnified Liabilities (defined hereinafter in the paragraph headed “Litigations” below) 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 HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2009. 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.

### **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 5 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. REVENUE

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

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

#### 5. 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

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

#### 6. OTHER INCOME

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

## 7. LOSS FOR THE YEAR

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

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
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 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
	<u>          </u>	<u>          </u>

## 8. INCOME TAX EXPENSE/(CREDIT)

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Current tax – PRC enterprise income tax		
Under/(over)-provision in prior years	363	(17)
	<u>          </u>	<u>          </u>
	363	(17)
Deferred tax	5,604	(1,391)
	<u>          </u>	<u>          </u>
Income tax expense/(credit)	<u>5,967</u>	<u>(1,408)</u>

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.

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.

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

According to the Notice on the Implementation Rules of the Grandfathering Relief under the PRC New Corporate Income Tax Law, Guofa (2007) No. 39 issued on 26 December 2007 by the State Council, the transitional treatment for the preferential enterprise income tax rate of 15% under the old laws, applicable to the foreign-invested enterprises registered in Pudong New District of Shanghai is 18% in 2008 and the applicable tax rate shall gradually increase from 18% to 25% from 2008 to 2012. The Directors are confident that the Grandfathering Relief Ruling is also applicable to both Shanghai Fortune Sun and Cornerstone 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).

## 9. DIVIDENDS

On 22 April 2010, the Directors resolved not to recommend the payment of a final dividend for the year ended 31 December 2009 to the shareholders of the Company (2008: RMB Nil).

## 10. 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.

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.

## 11. TRADE RECEIVABLES

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Trade receivables	55,220	34,239
Less: Allowance for impairment	(6,721)	(7,039)
	<u>48,499</u>	<u>27,200</u>

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 <i>RMB'000</i>	2008 <i>RMB'000</i>
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
	<u>48,499</u>	<u>27,200</u>

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.



## 12. TRADE DEPOSITS

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Trade deposits	41,229	52,449
Less: Allowance for impairment	(6,261)	(9,433)
	<u>34,968</u>	<u>43,016</u>

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 <i>RMB'000</i>	2008 <i>RMB'000</i>
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
	<u>34,968</u>	<u>43,016</u>

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.

## 13. OTHER RECEIVABLES

Included in other receivables are the receivable from the Current Investment Partner of RMB19,192,000 (2008: RMB21,012,000) (see below paragraph headed "Litigations").

## 14. ACCRUALS AND OTHER PAYABLES

Included in accruals and other payables are the payables to Plaintiffs of RMB19,192,000 (2008: RMB21,012,000) (see below paragraph headed "Litigations").

# **EXTRACT FROM INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

## **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 (the auditors) draw attention to note 2 to the financial statements 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.

# **EXTRACT FROM INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009** *(Continued)*

## **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 above, 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.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Market and 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).

## **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 (上海名昕投資管理諮詢有限公司) (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 (上海可上房產諮詢有限公司) (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 25<sup>th</sup> 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.

## **CAPITAL COMMITMENTS**

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

## **CORPORATE GOVERNANCE**

The Company has adopted and complied with the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2009, except for code provision A.2.1 of the CG Code regarding the segregation of responsibilities between the chairman and chief executive officer (“CEO”) of the Company.

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 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.

## **COMMITTEES OF THE BOARD**

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

### **EXECUTIVE COMMITTEE**

The Board has established an Executive Committee which comprises all the executive Directors. The Executive Committee 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.

### **NOMINATION COMMITTEE**

The Board has set up the Nomination Committee as recommended by the CG Code. 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.

### **AUDIT COMMITTEE**

Pursuant to the requirements of the CG Code and Rule 3.21 of the Listing Rules, the Board has established the Audit Committee comprising all three 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 2009 had been reviewed by the Audit Committee.

## **REMUNERATION COMMITTEE**

The Board has established the Remuneration Committee in compliance with the CG Code. 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.

## **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.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members 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 2009 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's 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.

## **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 2009 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.

## **2009 ANNUAL GENERAL MEETING**

It is proposed that the 2009 Annual General Meeting of the Company will be held on Friday, 18 June 2010. A notice convening the 2009 Annual General Meeting will be published on the Company's website (<http://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 2010

*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.*