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 2010

The board (the "Board") of directors (the "Directors") of Fortune Sun (China) Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2010 together with the comparative figures for 2009 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Revenue	4	**33,727**	54,300
Business tax and other levies		**(1,755)**	(2,685)
Cost of service rendered		**(40,043)**	(42,026)
Gross (loss)/profit		**(8,071)**	9,589
Other income	6	**9,568**	1,259
Operating and administrative expenses		**(15,180)**	(16,696)
Loss from operations		**(13,683)**	(5,848)
Finance cost — loan interest		**(20)**	—
Loss before tax		**(13,703)**	(5,848)
Income tax credit/(expense)	8	**4,188**	(5,967)
Loss for the year attributable to owners of the Company	7	**(9,515)**	(11,815)
		RMB cents	*RMB cents*
Loss per share	10		
— Basic		**(4.75)**	(5.89)
— Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010	2009
	RMB'000	*RMB'000*
Loss for the year	**(9,515)**	(11,815)
Other comprehensive income:		
Exchange differences on translating foreign operations	**(130)**	(24)
Other comprehensive income for the year, net of tax	**(130)**	(24)
Total comprehensive income for the year attributable to owners of the Company	**(9,645)**	(11,839)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Note	**As at 31 December 2010 *RMB'000***	As at 31 December 2009 *RMB'000* *(Restated)*	As at 1 January 2009 *RMB'000* *(Restated)*
Non-current assets				
Property, plant and equipment		**3,361**	2,337	1,225
Investment properties		**3,990**	3,995	3,263
Deposits for investment properties		**—**	—	3,123
Golf club membership		**291**	291	291
Available-for-sale financial assets	*11*	**1,500**	—	—
		9,142	6,623	7,902
Current assets				
Trade receivables	*12*	**29,155**	48,499	27,200
Trade deposits	*13*	**28,980**	34,968	43,016
Prepayments and other deposits		**3,653**	4,116	6,118
Other receivables	*14*	**19,745**	26,852	31,866
Current tax assets		**344**	—	363
Bank and cash balances		**17,203**	8,975	19,289
		99,080	123,410	127,852
Current liabilities				
Accruals and other payables		**7,083**	25,198	25,535
Other loan	*15*	**10,000**	—	—
		17,083	25,198	25,535
Net current assets		**81,997**	98,212	102,317
Total assets less current liabilities		**91,139**	104,835	110,219
Non-current liabilities				
Deferred tax liabilities		**6,084**	10,272	4,668
NET ASSETS		**85,055**	94,563	105,551
Capital and reserves				
Share capital		**20,644**	20,644	20,644
Reserves		**64,411**	73,919	84,907
TOTAL EQUITY		**85,055**	94,563	105,551

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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 are 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 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants 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. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS"), and Interpretations.

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

In preparing these consolidated 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 RMB9,515,000 for the year ended 31 December 2010. This condition indicates 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 this condition, the Directors have prepared a cash flow forecast for the next twelve months from 31 December 2010 (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; 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 and are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to generate sufficient cash flows in accordance with the Cash Flow Forecast, the Group might not be able to continue its business as a going concern. Accordingly, adjustments would have to be made to the consolidated 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 2010. 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 consolidated financial statements and amounts reported for the current year and prior years except as stated below.

Classification of Land Leases

Amendments to HKAS 17 "Leases" deleted the guidance in HKAS 17 that when the land has an indefinite economic life, the land element is normally classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term.

The Group reclassifies a land lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership to the Group e.g. at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the land.

Amendments to HKAS 17 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the consolidated financial statements as follows:

	At 31 December 2010 *RMB'000*	At 31 December 2009 *RMB'000*	At 1 January 2009 *RMB'000*
Increase in investments properties	**—**	2,011	1,766
Decrease in prepaid land lease payments of investment properties	**—**	(2,011)	(1,766)

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:

	2010 *RMB'000*	2009 *RMB'000*
Comprehensive property consultancy and sales agency service projects	**32,287**	53,061
Pure property consultancy service projects	**1,440**	1,239
	33,727	54,300

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

	2010	2009
	RMB'000	*RMB'000*
Customer a	**3,251**	27,329
Customer b	**6,808**	—
Customer c	**5,255**	—
Customer d	**4,936**	—

6. OTHER INCOME

	2010	2009
	RMB'000	*RMB'000*
Interest income	**138**	81
Gain on disposals of property, plant and equipment	**—**	18
Gain on disposals of investment properties	**805**	154
Reversal of impairment of trade receivables	**3,183**	—
Reversal of impairment of trade deposits	**1,603**	172
Compensation income	**2,520**	—
Sundry income	**1,319**	834
	9,568	1,259

7. LOSS FOR THE YEAR

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

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Auditor's remuneration	**587**	549
Depreciation of property, plant and equipment	**789**	373
Depreciation of investment properties	**84**	113
Exchange (gain)/loss, net	**(185)**	2
Gain on disposals of investment properties	**(805)**	(154)
Gain on disposals of property, plant and equipment	**—**	(18)
Written off of property, plant and equipment	**4**	—
Staff costs (including Directors' remuneration)		
— Fees, salaries, bonus and allowances	**8,904**	8,424
— Retirement benefits scheme contributions	**2,010**	1,661
— Equity-settled share-based payments	**137**	851
Operating lease charges on land and buildings	**4,136**	5,481
Written off of other receivables	**161**	1,487
(Reversal of)/allowance for impairment		
— Trade receivables	**(3,183)**	264
— Trade deposits	**(1,603)**	(172)

8. INCOME TAX (CREDIT)/EXPENSE

	2010	2009
	RMB'000	*RMB'000*
Current tax — PRC enterprise income tax		
Under-provision in prior years	**—**	363
Deferred tax	**(4,188)**	5,604
Income tax (credit)/expense	**(4,188)**	5,967

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year (2009: 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 introduced various changes which included 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 22% (2009: 20%) PRC enterprise income tax during the year. No PRC enterprise income tax is required since Shanghai Fortune Sun has sufficient tax losses brought forward to set off against current year's assessable profit and Cornerstone has no assessable profit for the year (2009: RMB Nil).

9. DIVIDENDS

On 25 March 2011, the Directors resolved not to recommend the payment of a final dividend for the year ended 31 December 2010 to the shareholders of the Company (2009: 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 RMB9,515,000 (2009: RMB11,815,000) and the weighted average number of ordinary shares of 200,470,000 (2009: 200,470,000) 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 2010.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010	2009
	RMB'000	*RMB'000*
Unlisted investment, at cost	**1,500**	—

The above unlisted investment represents equity investment in a private entity established in the PRC.

Unlisted investment with carrying amount of RMB1,500,000 was carried at cost as they do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

12. TRADE RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**32,693**	55,220
Less: Allowance for impairment	**(3,538)**	(6,721)
	29,155	48,499

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 allowance for impairment is as follows:

	2010	2009
	RMB'000	*RMB'000*
Within 90 days	**5,964**	14,953
Between 91 to 180 days	**1,899**	13,555
Between 181 to 365 days	**4,702**	1,102
Between 1 to 2 years	**10,808**	6,455
Over 2 years	**5,782**	12,434
	29,155	48,499

Except for the gross balance of RMB13,403,000 (2009: 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.

13. TRADE DEPOSITS

	2010	2009
	RMB'000	*RMB'000*
Trade deposits	**33,638**	41,229
Less: Allowance for impairment	**(4,658)**	(6,261)
	28,980	34,968

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:

	2010	2009
	RMB'000	*RMB'000*
Within 90 days	**17**	454
Between 91 and 180 days	**258**	848
Between 181 and 365 days	**637**	339
Between 1 to 2 years	**891**	18,108
Between 2 to 3 years	**17,726**	11,789
Over 3 years	**9,451**	3,430
	28,980	34,968

Except for the gross balance of RMB20,000,000 (2009: 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.

14. OTHER RECEIVABLES

Included in other receivables is the shareholder's loan to Shanghai Hengda Group (Jiangsu) Investment Co., Ltd. ("Hengda Jiangsu") of RMB14,500,000 (2009: RMB Nil). This shareholder's loan is unsecured, interest-free and has no fixed terms of repayment.

15. OTHER LOAN

The other loan from an unrelated company is denominated in RMB, interest-bearing at a fixed interest rate of 10.62% per annum, thus exposes the Group to fair value interest rate risk, and will be repaid within the next twelve months. An independent third party has unconditionally agreed to guarantee the repayment obligations of the Group for the principal of the loan together with any accrued interest.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

The following is an extract from the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2010.

"Basis for disclaimer of opinion

1) Opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2009 (the "2009 Financial Statements"), which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit and the material uncertainty in relation to going concern, details of which are set out in our audit report dated 22 April 2010. Accordingly, we were unable to form an opinion as to whether the 2009 Financial Statements gave a true and fair view of the state of affairs 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.

2) Scope limitation on the recoverability of trade receivables

Included in the Group's trade receivables of RMB29,155,000 as at 31 December 2010 was an aggregate amount of RMB5,175,000 due from several property developers. However, subsequent to the end of the reporting period and up to the date of this report, only RMB200,000 of the outstanding balance at 31 December 2010 was settled. We have not been provided with sufficient evidence to satisfy ourselves whether the remaining outstanding balance of RMB4,975,000 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 consolidated financial statements. Any adjustment to this figure might have a significant consequential effect on the results for the year and the Group's net assets as at 31 December 2010.

3) Scope limitation on the recoverability of trade deposits

Included in the Group's trade deposits of RMB28,980,000 as at 31 December 2010 was an aggregate amount of RMB2,822,000 due from several property developers. However, there was no settlement subsequent to the end of the reporting period and up to the date of this report. We have not been provided with sufficient evidence to satisfy ourselves whether the balance due 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 consolidated financial statements. Any adjustment to this figure might have a significant consequential effect on the results for the year and the Group's net assets as at 31 December 2010.

4) Material uncertainty relating to going concern

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to the owners of the Company of RMB9,515,000 for the year ended 31 December 2010. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The consolidated 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 note 2 to the consolidated financial statements. The consolidated 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 consolidated 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 consolidated financial statements

Because of the significance of the matters as described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion, the consolidated 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

The housing prices in China went up and substantially surpassed the expectation of the PRC Government, resulting in the revocation of relaxed credit policies in 2010 and the launch of a series of policies such as restriction on house purchases and loans by the Chinese government so as to curb the soaring housing prices. In 2010, the average housing prices in major cities in the Mainland remained on the rise, among which, those of Shanghai increased by 13% year on year. During the year, the gross floor areas of commodity housing nationwide sold totaled 1,043 million square metres, representing a significant increase of 10.1% as compared with last year.

The revenue of the Group for 2010 amounted to approximately RMB33,727,000, representing a decrease of 37.9% as compared with approximately RMB54,300,000 in 2009, which was mainly attributable to the end of the sale of a luxury property project in Shanghai such that the Group's revenue from its comprehensive property consultancy and agency commission income for 2010 decreased significantly by 88.1% as compared with 2009. The saleable area sold under the comprehensive property consultancy and agency projects undertaken by the Group in 2010 decreased by approximately 30.8% as compared with that of 2009. For the year under review, the Group's revenue generated from comprehensive property consultancy and agency projects decreased by 39.2% to approximately RMB32,287,000 from approximately RMB53,061,000 in 2009.

Regarding the Group's business by geographical regions, Jiangsu and Zhejiang Provinces (including Shanghai) remained the business focus of the Group, but the proportion of the Group's revenue attributable to Jiangsu and Zhejiang Provinces decreased to approximately 75.1% from approximately 91.5% in 2009. During the year under review, the Group actively explored the property consultancy and agency market outside Jiangsu and Zhejiang Provinces, increasing the revenue generated from other areas in China to 24.9% from 8.5% for 2009.

The gross loss margin of the Group was approximately 23.9% for the year ended 31 December 2010 (2009: gross profit margin of approximately 17.7%), which was mainly attributable to less revenue generated from operations during 2010. The loss attributable to the owners of the Company was approximately RMB9,515,000 in 2010 (2009: approximately RMB11,815,000), mainly owing to income tax credit which arose in 2010.

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 the year of 2010, the turnover of the Group was generated from 22 comprehensive property consultancy and agency projects (2009: 19 projects) with approximately 306,000 square metres (2009: approximately 442,000 square metres) of total saleable 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 2010 was approximately RMB32,287,000, representing approximately 95.7% of the total turnover of the Group (2009: approximately RMB53,061,000, representing approximately 97.7% of the total turnover).

As at 31 December 2010, the Group had 31 comprehensive property consultancy and agency projects (2009: 30 projects) on hand with a total of approximately 4,210,000 square metres of unsold gross floor areas (2009: approximately 4,000,000 square metres). Among these 31 projects, sale of the underlying properties of 12 projects (2009: 7 projects) have not yet commenced as at 31 December 2010.

Prospects

For the year of 2010, the nationwide completed gross floor area of commodity housing was 760 million square metres, representing a year-on-year increase of 4.5%, and was still in a basic situation in which the supply was inadequate to meet the demand. Looking forward to 2011, we will, on one hand, continue collaborating with our customers to explore property development opportunities in second and third tier cities in Mainland China in order to provide more real estate professional consultancy and agency services; on the other hand, actively develop new products and reinforce project planning to broaden our sources of income. The Group aims at easing its working capital pressure and maintaining a healthy liquidity level with various measures such as reducing operating expenditures, enhancing the collection of receivables and lowering the security deposit for new projects. The management of the Group will keep itself abreast of relevant policies and market situation and will research and seek new business strategies and modes in order to broaden the Group's revenue base. They will also explore alternative sources of credit or capital to provide the Group with better development opportunities.

Liquidity and Financial Resources

In the year of 2010, the Group's source of funds was mainly from cash generated from operations.

As at 31 December 2010, the Group had net current assets of approximately RMB81,997,000 (2009: approximately RMB98,212,000), total assets of approximately RMB108,222,000 (2009: approximately RMB130,033,000) and shareholders' funds of approximately RMB85,055,000 (2009: approximately RMB94,563,000).

As at 31 December 2010, the bank and cash balances of the Group amounted to approximately RMB17,203,000 (2009: approximately RMB8,975,000).

Bank Borrowings and Overdrafts

The Group had no bank borrowings or overdrafts as at 31 December 2010 (2009: RMB Nil).

Indebtedness

The Group had a short term borrowing of RMB10,000,000 as at 31 December 2010. As at 31 December 2010, the Group's gearing ratio was 11.8% (2009: Zero).

Major Investment

During the year of 2010, the Group acquired 3% interest in the entire registered capital of Hengda Jiangsu at a consideration of RMB1,500,000 and provided a shareholder's loan of RMB14,500,000 to Hengda Jiangsu. Details of the Group's investment in Hengda Jiangsu are set out in the Company's announcement dated 27 August 2010.

For the year ended 31 December 2010, apart from the above-mentioned investment in Hengda Jiangsu and the investment properties held by the Group, no other significant investment has been made by the Group.

Disclosure Pursuant to Rules 13.13 and 13.15 of the Listing Rules

(i) 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.

Subsequently, 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.

The Security Deposit of RMB20 million is accounted for as trade deposits as of 31 December 2010 and 2009 respectively.

As the amount of the Security Deposit represents approximately 18.5% of the assets ratio as defined under Rule 14.07(1) of the Listing Rules as at 31 December 2010, the Company's general disclosure obligation of certain particulars of the Security Deposit as prescribed under Rule 13.15 arose.

(ii) With reference to the announcement of the Company dated 27 August 2010 in relation to the acquisition of 3% interest in the entire registered capital of Hengda Jiangsu, a limited liability company established in the PRC on 9 July 2010 with fully paid up registered capital of RMB50,000,000, at a consideration of RMB1,500,000 and the provision of a shareholder's loan of RMB14,500,000 to Hengda Jiangsu (the "Shareholder's Loan") according to the joint investment agreement dated 27 August 2010 and entered into by the Group with the other existing shareholders of Hengda Jiangsu pursuant to which the Group and these parties shall severally provide to Hengda Jiangsu unsecured, non-interest bearing shareholders' loan for an aggregate sum of RMB669,875,050, out of which the Group has committed to provide RMB14,500,000 for the purposes of financing the acquisition and joint development of two pieces of land located in Yancheng City, Jiangsu Province, the PRC.

The Shareholder's Loan amounting to RMB14,500,000 is unsecured, interest-free and has no fixed terms of repayment, and is accounted for as other receivable as of 31 December 2010.

As the amount of the Shareholder's Loan represents approximately 13.4% of the assets ratio as defined under Rule 14.07(1) of the Listing Rules as at 31 December 2010, the Company's general disclosure obligation of certain particulars of the Shareholder's Loan as prescribed under Rule 13.15 arose.

Settlement of Litigations

In relation to the litigations (the "Litigations") disclosed in the announcements of the Company dated 20 April 2009, 29 May 2009, 23 September 2009 and 24 February 2010, they were finally settled as Shanghai Fortune Sun and two individual customers (the "Plaintiffs") for the purchase of 5 property units from a real estate project in Shanghai (the "Subject Project") entered into a settlement agreement (the "Settlement Agreement") on 20 February 2010. Pursuant to the Settlement Agreement, Shanghai Fortune Sun had agreed to pay to the Plaintiffs an aggregate sum of RMB20 million (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 by Shanghai Fortune Sun of the agency agreements for the purchase of certain properties under the Subject Project 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. Such balance of the Settlement Amount of RMB19,192,000 had been recognised as other payables in the consolidated statement of financial position of the Group for the year ended 31 December 2009.

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.

In the financial year ended 31 December 2010, Shanghai Fortune Sun had received RMB19,192,000 from Shanghai Zhilian for discharging the repayment obligations of Shanghai Fortune Sun for the Settlement Amount which had been guaranteed by Shanghai Zhilian and such amount was paid to the Plaintiffs in full accordingly. As a result, the payables to the Plaintiffs as of 31 December 2010 was reduced to Nil (31 December 2009: RMB19,192,000), while a corresponding receivable from Shanghai Zhilian which amounted to RMB19,192,000 as of 31 December 2009 was reduced to Nil as of 31 December 2010.

Capital Commitments

The Group had no material capital commitments as at 31 December 2010 (2009: 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 the Group's foreign exchange risk exposure and will consider to hedge significant currency risk exposure should the need arise.

Staff

As at 31 December 2010, the Group had a total of 268 staff (2009: 234 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 2010, except for the deviation from 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"). 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 2010.

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 2010 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 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 15 June 2011 to Friday, 17 June 2011 (both days inclusive) during which period no transfer of shares will be registered.

In order to qualify for attending and voting at the 2010 Annual General Meeting of the Company, 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 Tuesday, 14 June 2011.

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.hkexnews.hk). The 2010 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.

2010 ANNUAL GENERAL MEETING

It is proposed that the 2010 Annual General Meeting of the Company will be held on Friday, 17 June 2011. A notice convening the 2010 Annual General Meeting will be published on the Company's website (http://www.fortune-sun.com) and the Stock Exchange's website (http://www.hkexnews.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, 25 March 2011

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.