



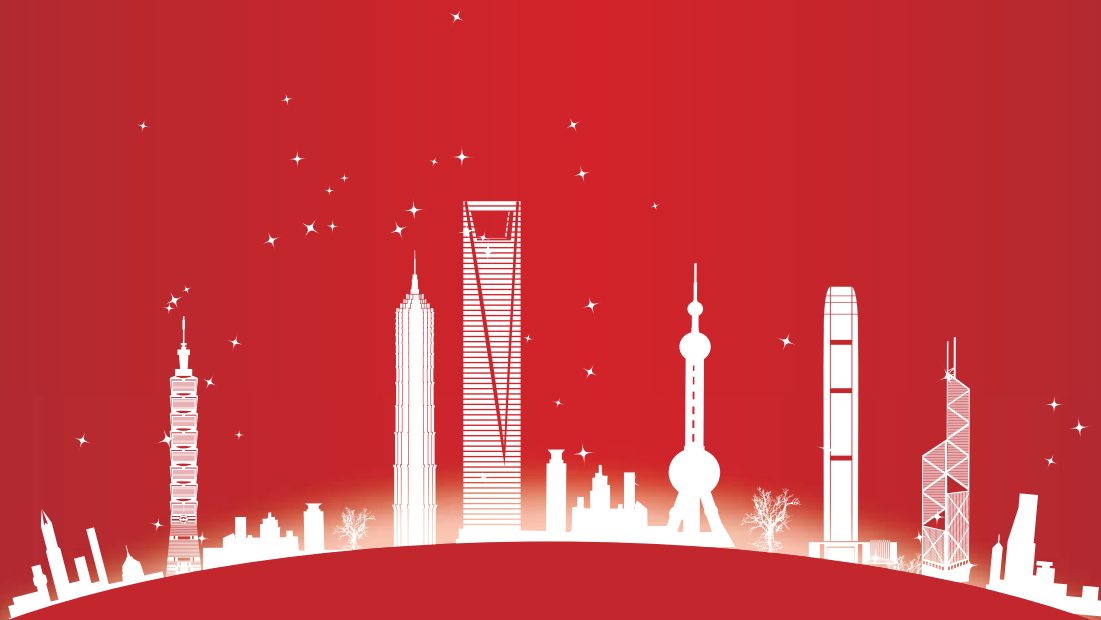
富陽(中國)控股有限公司

Fortune Sun (China) Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code:352)

2007
Interim Report





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Ms. Lin Chien Ju

Independent non-executive Directors

Mr. Ng Wai Hung
Mr. Cui Shi Wei
Dr. Cheng Chi Pang

AUDIT COMMITTEE

Dr. Cheng Chi Pang (*Chairman*)
Mr. Ng Wai Hung
Mr. Cui Shi Wei

REMUNERATION COMMITTEE

Mr. Cui Shi Wei (*Chairman*)
Mr. Ng Wai Hung
Dr. Cheng Chi Pang

REGISTERED OFFICE

Cricket Square
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P.O. Box 2681GT
Grand Cayman KYI-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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China Insurance Building
No. 166 Lujiazui Road East
Pudong Xin District
Shanghai
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1702, 17th Floor
Top Glory Tower
262 Gloucester Road
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
Fort Street
P.O. Box 705
George Town
Grand Cayman
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

COMPANY SECRETARY

Mr. Leung Ka Lok *FCCA, CPA*

COMPLIANCE OFFICER

Ms. Chang Hsiu Hua

QUALIFIED ACCOUNTANT

Mr. Leung Ka Lok *FCCA, CPA*

COMPLIANCE ADVISER

Taifook Capital Limited

AUDITORS

Baker Tilly Hong Kong Limited
Certified Public Accountants

HONG KONG LEGAL ADVISERS

Chiu & Partners

PRINCIPAL BANKERS

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

WEBSITE ADDRESS

www.fortune-sun.com
www.fortune-sun.cn
www.fortune-sun.com.cn

The board (the “Board”) of directors (the “Directors”) of Fortune Sun (China) Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2007 together with the comparative figures in 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Notes	Six months ended 30 June	
		2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
Turnover	4	42,406	24,494
Business tax and other levies	6(b)	(2,028)	(1,220)
Cost of services		(20,852)	(14,232)
Gross profit		19,526	9,042
Other revenue		347	78
Operating and administrative expenses		(14,626)	(8,742)
Share of net profit of associated company		—	398
Profit from operations before income tax	5	5,247	776
Income tax	6(a)	(2,259)	(380)
Profit attributable to shareholders		2,988	396
Profit attributable to:			
Equity shareholders of the Company		3,394	396
Minority interests		(406)	—
		2,988	396
Dividends	7	4,747	10,000
Earnings per share	8		
– Basic (RMB: cent(s))		1.7	0.3
– Diluted (RMB: cent(s))		1.7	0.3

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2007

	<i>Notes</i>	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Non-current assets			
Fixed assets	9	1,963	2,303
Goodwill		190	190
Investment properties	10	4,860	4,862
Prepaid premium for land lease	11	4,265	4,315
Golf club membership		291	291
		11,569	11,961
Current assets			
Trade receivables	13	55,163	49,851
Trade deposits	14	41,016	28,858
Prepayments and other deposits		5,557	5,760
Other receivables		5,901	2,324
Tax recoverable		333	—
Cash and cash equivalents		53,725	67,209
		161,695	154,002
Current liabilities			
Accrued expenses and other payables		22,687	18,729
Dividend payable		4,747	—
Tax payables		—	1,831
		27,434	20,560
Net current assets		134,261	133,442
Total assets less current liabilities		145,830	145,403
Non-current liabilities			
Deferred tax liabilities	12	7,401	5,453
Net assets		138,429	139,950
Capital and reserves			
Share capital	15	20,600	20,600
Reserves	17	117,174	118,289
Total equity attributable to equity shareholders of the Company		137,774	138,889
Minority interests		655	1,061
Total equity		138,429	139,950

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash used in operating activities	(11,152)	(3,639)
Interest received	346	78
PRC enterprise income tax paid	(2,475)	(2,679)
Net cash used in operating activities	(13,281)	(6,240)
Net cash (used in)/generated from investing activities	(203)	1,670
Net cash used in financing activities	—	(10,000)
Net decrease in cash and cash equivalents	(13,484)	(14,570)
Cash and cash equivalents at 1 January	67,209	34,402
Cash and cash equivalents at 30 June	53,725	19,832

Cash and cash equivalents as at 30 June 2007 and 2006 are all cash and bank balances.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Six months ended 30 June	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
Total equity as at 1 January	139,950	60,072
Dividends relating to previous year approved during the period	(4,747)	(10,000)
Employee share-based compensation reserve	1,058	130
Conversion of convertible bond	—	26,700
Currency translation difference	(820)	—
Profit for the period	2,988	396
Total equity as at 30 June	<u>138,429</u>	<u>77,298</u>



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GROUP REORGANISATION

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. Following the Group's reorganisation (the "Reorganisation") implemented on 10 June 2006 to rationalise the structure of the Group in preparation for the listing (the "Listing"), its shares have been listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 July 2006 (the "Listing Date") and the Company became the holding company of the Group after the Reorganisation.

The principal activities of the Company are investment holding. During the period under review, the Group was 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

The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2007 (the "Condensed Financial Report") have been prepared in accordance with Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") issued by the Stock Exchange. The Condensed Financial Report should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

The measurement basis used in the preparation of the Condensed Financial Report is historical cost.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which also included HKASs and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), that affect the Group and are adopted for the first time for the current period's financial statements.

HKAS 1 Amendment	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies" ²
HK(IFRIC) – Int 8	Scope of HKFRS 2 ³
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives ⁴
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment ⁵

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 March 2006.

³ Effective for annual periods beginning on or after 1 May 2006.

⁴ Effective for annual periods beginning on or after 1 June 2006.

⁵ Effective for annual periods beginning on or after 1 November 2006.

There was no material impact on the basis of preparation of the unaudited condensed consolidated balance sheet and condensed income statement arising from the above-mentioned accounting standards.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group has not early applied the following new and revised IFRICs, HKASs and HKFRSs that have been issued but are not yet effective.

HKFRS 8	Operating Segments ¹
HKAS 23 (revised)	Borrowing Costs ¹
HK (IFRIC) – Int 11	HKFRS2 – Group and Treasury Share Transactions ²
HK (IFRIC) – Int 12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 March 2007.

³ Effective for annual periods beginning on or after 1 January 2008.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that the applications of these new and revised standards, amendments or interpretations will have no material impact on the Group's results of operations and financial positions.

4. TURNOVER

The Group is principally engaged in providing property consultancy and agency services for the primary property market in the PRC. Turnover during the period under review represents income from the following services:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Comprehensive property consultancy and sales agency service projects	42,336	24,444
Pure property consultancy service projects	70	50
	42,406	24,494

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

5. PROFIT FROM OPERATIONS BEFORE INCOME TAX

Profit from operations before income tax is arrived at after crediting and charging the following:

	Six months ended 30 June	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Crediting:		
Exchange gain	1	—
Share of net profit of associated company	—	398
Interest income	346	78
	<u>347</u>	<u>476</u>
Charging:		
Amortisation of discount on the convertible bond	—	755
Amortisation of prepaid premium of land lease	50	—
Auditors' remuneration	176	—
Depreciation of fixed assets	464	345
Depreciation of investment properties	56	10
Loss on disposals of fixed assets	4	54
Staff costs		
– Wages and salaries	4,841	2,453
– Pension costs (defined contribution plan) and other social benefits	820	615
– Employee share option benefits	1,058	130
Operating lease rentals in respect of buildings	2,217	2,494
(Write-back of)/Provision for doubtful debts		
– Trade receivables	(29)	(128)
– Other receivables	(230)	129
– Trade deposits	3,632	1,277
	<u>3,632</u>	<u>1,277</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

6. TAXATION

(a) Income Tax

Income tax expense represents:

	Six months ended 30 June	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current income tax – PRC enterprise income tax	1,991	1,145
Deferred tax assets	—	91
Deferred tax liabilities	268	(856)
	<hr/>	<hr/>
Income tax expense	2,259	380
	<hr/> <hr/>	<hr/> <hr/>

The Company and its subsidiaries, namely Millstone Developments Limited (“Millstone”) and High Color Investments Limited, are not subject to income tax in their jurisdictions.

The Company’s subsidiaries, namely Shanghai Fu Yang Property Consultant Co., Ltd. (“Shanghai Fortune Sun”) and SinoCity Asset Management Consultancy (Shanghai) Limited (“SinoCity”), are foreign investment enterprises registered in Pudong New District of Shanghai, the PRC. According to the relevant confirmations from the relevant Shanghai tax authorities in charge of the state and local tax of Shanghai Fortune Sun and SinoCity, both Shanghai Fortune Sun and SinoCity are currently subject to the preferential PRC enterprise income tax rate of 15%. PRC enterprise income tax is calculated at the applicable rate of 15% on the estimated assessable profit of Shanghai Fortune Sun and SinoCity for the period under review. However, since the above local preferential tax policy was not approved by the State Council or the State Administration of Tax, there is no assurance that Shanghai Fortune Sun and SinoCity will still be able to enjoy such preferential tax rate of 15% in the future.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

6. TAXATION (Continued)

(a) Income Tax (Continued)

The Company has set up a 75% indirectly held operating subsidiary, namely Full Sincerity Advertising Company Limited (“Full Sincerity”) on 27 November 2006 in Taiwan, which mainly provides property consultancy and agency services for the primary property market in Taiwan. Full Sincerity does not have any assessable income during the period under review.

No Hong Kong profits tax has been provided as the Group did not derive any assessable profit from Hong Kong during the period under review.

(b) Business tax

The Company’s subsidiaries, Shanghai Fortune Sun and SinoCity, are subject to PRC business tax at a rate of 5% on turnover from the provision of property agency and consultancy services and the provision of property consultancy services respectively.

7. DIVIDENDS

During May 2006, prior to the Reorganisation, the directors of Millstone declared dividends amounting to RMB10,000,000 to its then shareholders in respect of the year ended 31 December 2005, which was subsequently paid in June 2006.

On 24 April 2007, the Directors resolved to recommend to the shareholders of the Company a declaration of a final dividend of HKD2.4 cents per share, totalling HKD4,800,000 (equivalent to approximately RMB4,747,000) for the year ended 31 December 2006. The final dividend was approved by the shareholders of the Company at the Annual General Meeting on 13 June 2007 and was duly paid on 16 July 2007.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2007.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2007 is based on the unaudited consolidated net profit attributable to shareholders of the Company of approximately RMB3,394,000 (six months ended 30 June 2006: RMB396,000) and the weighted average number of 200,000,000 shares (six months ended 30 June 2006: 150,000,000 shares deemed to have been issued) throughout the period under review.

The calculation of the diluted earnings per share for the six months ended 30 June 2007 was on the same basis as calculated in the basic earnings per share based on the unaudited consolidated profit attributable to equity shareholders of the Company for the period of approximately RMB3,394,000 and the weighted average number of ordinary shares of 200,000,000 shares as there was no dilutive effects in respect of ordinary shares to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme until 6 July 2007. No diluted earnings per share for the six months ended 30 June 2006 has been presented as the Company had no dilutive potential ordinary shares in existence during that period.

9. FIXED ASSETS

During the period under review, the Group acquired fixed assets amounting to RMB171,713 (six months ended 30 June 2006: RMB99,800) and disposed of fixed assets with net book value of RMB26,615 (six months ended 30 June 2006: RMB54,312).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

10. INVESTMENT PROPERTIES AND DEPOSITS FOR INVESTMENT PROPERTIES

	<i>RMB'000</i>
Cost	
At 31 December 2006 (Audited)	4,957
Additions	54
At 30 June 2007 (Unaudited)	5,011
Accumulated depreciation	
At 31 December 2006 (Audited)	95
Charge for the period	56
At 30 June 2007 (Unaudited)	151
Net book value	
At 30 June 2007 (Unaudited)	4,860
At 31 December 2006 (Audited)	4,862

The investment properties are located in Beijing and Chongqing in the PRC. The Board is of the opinion that, had the investment properties been carried at their fair value, the amount would not be less than the above stated carrying amount as at 30 June 2007. The Board intends that those properties are held in the view as to earn rentals and /or for capital appreciation.

11. PREPAID PREMIUM FOR LAND LEASES

	Leases Less than 50 years <i>RMB'000</i>	Leases over 50 years <i>RMB'000</i>	Total <i>RMB'000</i>
Cost			
At 31 December 2006 (Audited) and At 30 June 2007 (Unaudited)	376	4,022	4,398
Accumulated amortisation			
At 31 December 2006 (Audited)	8	75	83
Charge for the period	5	45	50
At 30 June 2007 (Unaudited)	13	120	133
Net book value			
At 30 June 2007 (Unaudited)	363	3,902	4,265
At 31 December 2006 (Audited)	368	3,947	4,315

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

12. DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxation is calculated in full on temporary differences under the liability method using a tax rate of 15%.

The movements in deferred tax assets and liabilities during the period under review are as follows:

(a) Deferred tax assets

	Accrued expenses and others	
	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Beginning of the period/year	—	549
Charged to income statement during the period/year	—	(549)
	<hr/>	<hr/>
End of the period/year	—	—
	<hr/> <hr/>	<hr/> <hr/>

(b) Deferred tax liabilities

	Uninvoiced revenue	
	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Beginning of the period/year	5,453	4,519
Charged to income statement during the period/year	1,948	934
	<hr/>	<hr/>
End of the period/year	7,401	5,453
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

12. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current assets against current liabilities and when the deferred income taxes relate to the same fiscal authority.

13. TRADE RECEIVABLES

The credit period granted to customers is generally ranging from 1 month to 3 months.

The ageing analysis of trade receivables is as follows:

	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Within 90 days	20,857	37,713
Between 91 and 180 days	12,884	5,560
Between 181 and 365 days	19,319	7,338
Between 1 and 2 years	3,809	975
	56,869	51,586
Provision for doubtful debts	(1,706)	(1,735)
	55,163	49,851

The amounts of provision for trade receivables made by the Group during the period under review based on its provision policy approximate the impairment losses determined as the differences between the assets' carrying amounts and the discounted present values of estimated future cash flows in accordance with HKAS 39 issued by the HKICPA.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

14. 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.

The ageing analysis of trade deposits is as follows:

	30 June 2007 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2006 <i>RMB'000</i> <i>(Audited)</i>
Within 90 days	2,200	2,300
Between 91 and 180 days	18,700	11,080
Between 181 and 365 days	10,800	9,257
Between 1 and 2 years	9,000	663
Between 2 and 3 years	9,537	11,548
Over 3 years	400	—
	<hr/>	<hr/>
	50,637	34,848
Provision for doubtful debts	(9,621)	(5,990)
	<hr/>	<hr/>
	41,016	28,858
	<hr/> <hr/>	<hr/> <hr/>

The amounts of provision for trade deposits made by the Group during the period under review based on its provision policy approximate the impairment losses determined as the differences between the assets' carrying amounts and the discounted present values of estimated future cash flows in accordance with HKAS 39 issued by the HKICPA.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

15. SHARE CAPITAL

	Number of ordinary shares (in thousand)	Nominal value	
		HK\$'000	RMB'000
Authorised			
Ordinary shares of HK\$0.1 each			
As at 31 December 2006 and 30 June 2007	2,000,000	200,000	206,000
Issued and fully paid			
Ordinary shares of HK\$0.1 each			
As at 31 December 2006 and 30 June 2007	<u>200,000</u>	<u>20,000</u>	<u>20,600</u>

16. SHARE OPTION SCHEMES

The Group recognises the fair value of the share options or shares granted as an expense over the vesting period and the corresponding amount is recognised in the employee share-based compensation reserve under equity. When the eligible participants choose to exercise share options, the respective amount in employee share-based compensation reserve is transferred to share capital and share premium, together with exercise price. At each balance sheet date, the Group revises its estimates of the number of share options or shares that are expected to become vested. The impact of the revision of original estimates, if any, is recognised in the income statement with a corresponding adjustment to the employee share-based compensation reserve over the remaining vesting period.

A share option scheme (the “Pre-IPO Share Option Scheme”) was adopted pursuant to a written resolution passed by all shareholders of the Company on 10 June 2006. The purpose of the Pre-IPO Share Option Scheme is to recognise and reward the contribution of certain directors, senior management, employees, consultants and advisers of the Group to the growth and development of the Group and the Listing. For the six months ended 30 June 2007, other than those share options with rights to subscribe for an aggregate of 350,000 shares of the Company have lapsed during the period due to cessation of employments of certain employees of the Group, no such share options as defined under the Pre-IPO Share Option Scheme was exercised up to and as at 30 June 2007.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

16. SHARE OPTION SCHEMES (Continued)

A further share option scheme (the “Share Option Scheme”) was also adopted pursuant to the written resolution passed by all shareholders of the Company on 10 June 2006. The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Share Option Scheme will remain in force for a period of 10 years commencing from 10 June 2006.

The exercise price of the options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company’s shares as quoted on the Stock Exchange’s daily quotation sheets on the date of the offer for grant of the options, and (ii) the average closing price of the Company’s shares as quoted on the Stock Exchange’s daily quotation sheets for the five trading days immediately preceding the date of offer for grant of the options, and (iii) the nominal value of the Company’s shares.

Since the Listing and up to 30 June 2007, no option had been granted under the Share Option Scheme.

The fair value of the options granted under the Pre-IPO Share Option Scheme are determined at the date of grant under the Binominal Option Pricing Models by an independent valuer and the following assumptions were used to calculate the fair value of the options:

Option Value	HK\$0.41
Exercise Price	HK\$0.795
Risk-free interest rate	4.84%
Expected volatility	45%
Dividend yield	3.5%
Life of options	9 years

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

17. RESERVES

	Share premium	Merger reserve	Reserve fund	Employee share-based compensation reserve	Convertible bond reserve	Exchange reserve	Retained earnings	Total
		Note(a)	Note(b)					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2006								
<i>(Audited)</i>	10,453	3,376	11,238	—	617	—	33,560	59,244
Dividends (Note7)	—	—	—	—	—	—	(10,000)	(10,000)
Issue of shares of the Company to acquire Millstone	(10,453)	11,178	—	—	—	—	—	725
Share capital fully paid	(103)	—	—	—	—	—	—	(103)
Employee share option benefits	—	—	—	130	—	—	—	130
Conversion of the Bond	27,280	—	—	—	(617)	—	—	26,663
Profit for the period	—	—	—	—	—	—	396	396
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 30 June 2006								
<i>(Unaudited)</i>	27,177	14,554	11,238	130	—	—	23,956	77,055
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 1 January 2007								
<i>(Audited)</i>	49,381	14,554	13,511	1,197	—	(840)	40,486	118,289
Dividends (Note7)	(4,747)	—	—	—	—	—	—	(4,747)
Employee share option benefits	—	—	—	1,058	—	—	—	1,058
Currency translation difference	—	—	—	—	—	(820)	—	(820)
Profit for the period	—	—	—	—	—	—	3,394	3,394
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 30 June 2007								
<i>(Unaudited)</i>	44,634	14,554	13,511	2,255	—	(1,660)	43,880	117,174
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

17. RESERVES (Continued)

Notes:

- (a) The merger reserve of the Group represents the difference between the nominal value of the share capital issued by the Company and the aggregate of share capital and the share premium of Millstone acquired pursuant to the Reorganisation.
- (b) According to the articles of association of Shanghai Fortune Sun, at least 10% of its net profit as stated in its statutory accounts prepared under the applicable PRC accounting regulations and relevant regulations in the PRC shall be transferred to the reserve fund before dividend distribution, until the balance of such fund has reached 50% of its registered capital. The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital.

18. CONTINGENCIES

As at 31 December 2006 and 30 June 2007, the Group had the following contingencies:

	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Combined property consultancy and agency contract for the property project in Shanghai	—	5,000
	<u> </u>	<u> </u>

Note:

Pursuant to the comprehensive property consultancy and agency contract for one property in Shanghai entered into in 2006, if the Group is not able to fulfil the committed sales target on or before 31 July 2007 pursuant to the relevant terms as stipulated in the contract, the Group is obliged to arrange a third party to purchase the unsold properties at a price stipulated in the contract. As at 30 June 2007, all of relevant properties were sold.

19. OPERATING LEASE COMMITMENTS

As at 31 December 2006 and 30 June 2007, the Group had total future aggregate minimum lease payments under non-cancellable operating leases for office buildings as follows:

	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Within one year	1,793	2,711
In the second years but up to the fifth year, inclusive	185	584
	<u>1,978</u>	<u>3,295</u>



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the six months ended 30 June 2007, the Group recorded an unaudited turnover of approximately RMB42.41 million, which represented an increase of approximately 73.1% as compared with the unaudited turnover of approximately RMB24.49 million for the corresponding period in 2006. Such increase was principally due to the increase in the number of quality projects which generated higher revenue from the comprehensive property consultancy and agency projects undertaken by the Group as compared to the corresponding period last year. In addition, being restored the market sentiment from series of austerity measures imposed in PRC property market since 2005, relatively higher sales rate of certain projects in Eastern China recorded in the period of review is another reason for the increase in revenue in the first half year of 2007.

For the six months ended 30 June 2007, the gross profit margin of the Group was approximately 46.1% which was higher than 36.9% as achieved during the corresponding period in 2006. The gross profit margin in the period of review was restored to the same level of 2005 recorded at 48.3%. The bounce-back in gross margin was mainly because certain quality projects executed in the period of review can contribute high profit margin due to respective satisfactory property price-setting strategies. Besides, the unaudited profit attributable to the shareholders of the Company during the period under review increased by approximately 7.55 times to approximately RMB2.99 million as compared with the unaudited profit attributable to the shareholders of the Company of approximately RMB0.4 million for the corresponding period in 2006. Such significant increase was principally due to the significant increase in the turnover and the gross profit margin as mentioned above.

COMPREHENSIVE PROPERTY CONSULTANCY AND AGENCY BUSINESS

During the period under review, the Group continued to focus on the provision of comprehensive property consultancy and agency services for the primary residential and commercial property market in the PRC. For the six months ended 30 June 2007, the Group had 24 projects in operation where as it generated revenue from 21 (six months ended 30 June 2006: 22) comprehensive property consultancy and agency projects and approximately 0.34 million square metres (six months ended 30 June 2006: 0.22 million square metres) of gross floor areas of the relevant underlying properties under these comprehensive property consultancy and agency projects were sold through the Group. Total unaudited revenue generated from these comprehensive property consultancy and agency projects of approximately RMB42.34 million contributed almost the entire unaudited turnover of the Group during the period under review, of which 0.17% was generated from the pure property consultancy service projects. As at 30 June 2007, the Group had 39 comprehensive property consultancy and agency projects on hand with a total of approximately 3.47 million square metres of unsold gross floor areas. Among these 39 projects, the sales of the underlying properties of 15 projects have not yet commenced as at 30 June 2007.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FUTURE PROSPECTS

The Group anticipated that austerity measures imposed by the Central Government will be continuously implemented to regulate the overactive property market. Respective measures will induce the market to become more volatile in short run due to the uncertainty on how those measures may impact the market. However, in the long run, the Group believed that the persistent economic growth in the PRC will definitely sustain the property demand in both primary and secondary (or second-hand) market.

Apart from our continuous focus on the sales of low to mid-priced and small to medium sized residential properties, the Group also actively improves its market share in the primary commercial property market through enhancing its level of sales forces in respect of the primary commercial property market and engaging in more new commercial projects. Currently, commercial property agency market is growing in line with the economic growth in China.

In addition, in view of the growing activities in the secondary property market of PRC metropolitan cities, the Group is planning to explore the secondary property market business in the most effective and efficient manner. The management considered that the diversification of business to secondary property market can directly complement and enhance the primary market business through sophisticated management skills over the customers' database of the Group. The secondary market business will facilitate the Group in brand building and open up another revenue stream to bring in positive contribution to the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2007, the Group had unaudited net current assets of approximately RMB134.26 million, unaudited total assets of approximately RMB173.26 million and unaudited shareholders' funds of approximately RMB137.77 million.

As at 30 June 2007, the unaudited cash balance of the Group amounted to approximately RMB53.73 million.

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 is secured by a deposit of RMB15,000,000 of the Company. The loan facility had not been utilised as of the date of this report. The Group had no borrowing as at 30 June 2007.

The Group had no material contingent liabilities and capital commitments as at 30 June 2007.

FOREIGN EXCHANGE EXPOSURE

As the Group's sales are predominantly in Renminbi and the purchases and expenses are either in Renminbi or Hong Hong 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 exposure and will consider to hedge significant currency risk exposure should the need arise.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

STAFF

As at 30 June 2007, the Group had a total of 249 staff, whose remuneration and benefits were determined based on market rates, the PRC's state policies, respective domestic statutory requirements and individual performance.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2007, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Name of Directors	Company/ name of associated corporation	Capacity	Number and class of securities (Note 1)	Approximate of percentage shareholding
Mr. Chiang Chen Feng ("Mr. Chiang")	The Company	Interest of a controlled corporation (Note 2)	67,820,850 shares of HK0.10 each in the share capital of the Company ("Shares")(L)	33.9104%
	The Company	Beneficial owner and interest of spouse (Note 3)	1,300,000 Shares (L)	0.6335% (Note 8)
Ms. Lin Chien Ju ("Ms. Lin")	The Company	Interest of a controlled corporation (Note 4)	36,352,050 Shares (L)	18.1760%

DISCLOSURE OF INTERESTS (Continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Continued)

Name of Directors	Company/ name of associated corporation	Capacity	Number and class of securities	Approximate of percentage shareholding (Note 1)
Mr. Han Lin ("Mr. Han")	The Company	Beneficial owner	7,051,801 Shares (L)	3.5259%
		Beneficial owner (Note 5)	750,000 Shares (L)	0.3655% (Note 8)
Ms. Chang Hsiu Hua ("Ms Chang")	The Company	Interest of spouse (Note 6)	67,820,850 Shares(L)	33.9104%
	The Company	Beneficial owner and interest of spouse (Note 7)	1,300,000 Shares (L)	0.6335% (Note 8)

Notes:

- The letter "L" denotes the Director's long position in the share of the Company and/or the relevant associated corporation.
- These shares were registered in the name of Active Star Investment Limited ("Active Star"), the entire issued capital of which was owned by Mr. Chiang. Mr. Chiang is also the sole director of Active Star. Mr. Chiang was deemed to be interested in all the shares in which Active Star was interested by virtue of the SFO.
- The long position of Mr. Chiang in these 1,300,000 shares comprised the 750,000 options and 550,000 options granted to him and his wife, Ms. Chang, respectively by the Company under the Pre-IPO Share Option Scheme. Mr. Chiang was regarded as interested in all the options in which Ms. Chang was interested by virtue of the Model Code.
- These shares were registered in the name of Upwell Assets Corporation ("Upwell Assets"), the entire issued capital of which was owned by Ms. Lin. Ms. Lin is also one of the directors of Upwell Assets. Ms. Lin was deemed to be interested in all the shares in which Upwell Assets was interested by virtue of the SFO.
- The long position of Mr. Han in these 750,000 shares comprised the 750,000 options granted to him by the Company under the Pre-IPO Share Option Scheme.
- Ms. Chang was regarded as interested in all the shares referred to in note (2) above, in which Mr. Chiang, her husband, was interested by virtue of the Model Code.
- The long position of Ms. Chang in these 1,300,000 shares comprised the 550,000 options and 750,000 options granted to her and her husband, Mr. Chiang, respectively by the Company under the Pre-IPO Share Option Scheme. Ms. Chang was regarded as interested in all the options in which Mr. Chiang was interested by virtue of the Model Code.
- These percentages are calculated on the basis of 205,200,000 shares of the Company had been in issue as at 30 June 2007, assuming that all the then outstanding options granted under the Pre-IPO Share Option Scheme had been exercised as at that date.

DISCLOSURE OF INTERESTS (Continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Continued)

Save as disclosed above, as at 30 June 2007, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO) which had been notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2007, the interest or short position of the person (other than a Director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Directors	Capacity	Number of shares held (Note 1)	Approximate percentage of shareholding
Active Star	Beneficial owner (Note 2)	67,820,850 Shares (L)	33.9104%
Upwell Assets	Beneficial owner (Note 3)	36,352,050 Shares (L)	18.1760%
Honorway Nominees Limited	Beneficial owner (Note 4)	16,248,300 Shares (L)	8.1242%
Mr. Ho Hau Chong, Norman	Interest of a controlled corporation (Note 4)	16,248,300 Shares (L)	8.1242%
Ms. Yvette Therese Ma	Interest of spouse (Note 5)	16,248,300 Shares (L)	8.1242%
Mr. Ho Hau Hay, Hamilton	Interest of a controlled corporation (Note 4)	16,248,300 Shares (L)	8.1242%
Ms. Sharon Young	Interest of spouse (Note 6)	16,248,300 Shares (L)	8.1242%
Honorway Investments Limited	Interest of a controlled corporation (Note 4)	16,248,300 Shares (L)	8.1242%

DISCLOSURE OF INTERESTS (Continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES (Continued)

Name of Directors	Capacity	Number of shares held (Note 1)	Approximate percentage of shareholding
Forever Sky Group Limited	Beneficial owner (Note 7)	7,220,000 Shares (L)	3.6100%
Ms. Hsieh Hsiu-Mei	Beneficial owner and interest in a controlled corporation (Note 7)	11,936,000 Shares (L)	5.9680%
Mr. Chu Yao-Jen	Interest of spouse (Note 8)	11,936,000 Shares (L)	5.9680%

Notes:

1. The letter "L" denotes the shareholders' long position in the Shares or underlying Shares of the Company.
2. These Shares were registered in the name of Active Star, the entire issued share capital of which was owned by Mr. Chiang. Mr. Chiang was deemed to be interested in all the Shares in which Active Star is interested by virtue of the SFO.
3. These Shares were registered in the name of Upwell Assets, the entire issued share capital of which was owned by Ms. Lin. Ms. Lin was deemed to be interested in all the Shares in which Upwell Assets is interested by virtue of the SFO.
4. These Shares were registered in the name of Honorway, which was controlled by Honorway Investments Limited, which was in turn controlled by Mr. Ho Hau Chong, Norman and his brother, Mr. Ho Hau Hay, Hamilton. Mr. Ho Hau Chong, Norman, Mr. Ho Hau Hay, Hamilton and Honorway Investments Limited were deemed to be interested in all the Shares in which Honorway is interested by virtue of the SFO.
5. Ms. Yvette Therese Ma is the wife of Mr. Ho Hau Chong, Norman and she was deemed to be interested in all the Shares in which Mr. Ho Hau Chong, Norman is interested by virtue of the SFO.
6. Ms. Sharon Young is the wife of Mr. Ho Hau Hay, Hamilton and she was deemed to be interested in all the Shares in which Mr. Ho Hau Hay, Hamilton is interested by virtue of the SFO.
7. These Shares were registered as to 4,716,000 Shares in the name of Ms. Hsieh Hsiu-Mei and as to 7,220,000 Shares in the name of Forever Sky Group Limited, which was controlled by Ms. Hsieh. Ms. Hsieh was deemed to be interested in all the Shares in which Forever Sky Group Limited is interested by virtue of the SFO.
8. Mr. Chu Yao-Jen is the husband of Ms. Hsieh Hsiu-Mei and he was deemed to be interested in all the Shares in which Ms. Hsieh is interested by virtue of the SFO.

DISCLOSURE OF INTERESTS (Continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES (Continued)

Save as disclosed above, as at 30 June 2007, no person, other than the directors and chief executive of the Company whose interests are set out in the paragraph headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, had an interest or short positions in the Shares or underlying Shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEMES

The Pre-IPO Share Option Scheme was adopted pursuant to a written resolution passed by all shareholders of the Company on 10 June 2006. The purpose of the Pre-IPO Share Option Scheme is to recognise and reward the contribution of certain directors, senior management, employees, consultants and advisers of the Group to the growth and development of the Group and the Listing.

Details of the movements in the Company's share options (including those granted under the Pre-IPO Share Option Scheme on 10 June 2006) during the six month period up to 30 June 2007 were as follows:

Name/ category of participant	Date of grant	Exercise price HK\$	Exercise period	Number of shares subject to options		
				Outstanding as at 1 January 2007	Lapsed/ Exercised during the period	Outstanding as at 30 June 2007
The Directors						
Mr. Chiang	10 June 2006	0.795	5 July 2007 – 4 July 2016	750,000	—	750,000
Mr. Han	10 June 2006	0.795	5 July 2007 – 4 July 2016	750,000	—	750,000
Ms. Chang	10 June 2006	0.795	5 July 2007 – 4 July 2016	550,000	—	550,000
Others						
Certain employees of the Group	10 June 2006	0.795	5 July 2007 – 4 July 2016	3,500,000	(350,000)	3,150,000
Total				<u>5,550,000</u>	<u>(350,000)</u>	<u>5,200,000</u>



DISCLOSURE OF INTERESTS (Continued)

SHARE OPTION SCHEMES (Continued)

In addition, a further Share Option Scheme was also adopted pursuant to the written resolution passed by all shareholders of the Company on 10 June 2006. The purpose of the Shares Option Schemes is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. For the six months ended 30 June 2007, no options had been granted or exercised under the Share Option Scheme.

Eligible participants of the Share Option Scheme include, among others, the Group's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, persons that provide research, development or other technological support to the Group, the Group's shareholders and the advisers or consultants of the Group. The Share Option Scheme will remain in force for a period of 10 years commencing from 10 June 2006.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Since the Shares were listed on the main board of the Stock Exchange on the Listing Date, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

None of Directors is aware of any information which would reasonably indicate that the Company is not, or was not, in compliance 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 six months ended 30 June 2007, except for CG Code A2.1 regarding the responsibilities between the chairman and chief executive officer ("CEO") which have not been segregated.

The Company does not have a separate chairman and CEO and Mr. Chiang Chen Feng currently performs these two roles. The Board believes that vesting the roles of both 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 the Model Code for Securities Transactions by the Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code during the six months ended 30 June 2007.



OTHER INFORMATION (Continued)

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, namely Mr. Ng Wai Hung, Mr. Cui Shi Wei, and Dr. Cheng Chi Pang. The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2007 including the accounting, internal control and financial reporting issues. In carrying out this review, the Audit Committee has relied on a review conducted by the Group’s external auditors in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA as well as obtaining reports from the management. The Audit Committee has not undertaken detailed independent audit checks.

REMUNERATION COMMITTEE

The Company has established a 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 of the Group. The Remuneration Committee consists of three members comprising all three independent non-executive Directors, namely Mr. Ng Wai Hung, Mr. Cui Shi Wei, and Dr. Cheng Chi Pang.

REVIEW OF ACCOUNTS

At the request of the Directors, the Group’s external auditors, Baker Tilly Hong Kong Limited, has carried out a review on the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2007 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2007 were approved by the Board on 21 September 2007.

By order of the Board
Chiang Chen Feng
Chairman

Hong Kong, 21 September 2007