



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



Interim Report 2011

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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

Dr. Cheng Chi Pang

Mr. Ng Wai Hung

Mr. Cui Shi Wei

EXECUTIVE COMMITTEE

Mr. Chiang Chen Feng (*Chairman*)

Ms. Chang Hsiu Hua

Mr. Han Lin

AUDIT COMMITTEE

Dr. Cheng Chi Pang (*Chairman*)

Mr. Ng Wai Hung

Mr. Cui Shi Wei

REMUNERATION COMMITTEE

Mr. Cui Shi Wei (*Chairman*)

Mr. Ng Wai Hung

Dr. Cheng Chi Pang

NOMINATION COMMITTEE

Mr. Chiang Chen Feng (*Chairman*)

Dr. Cheng Chi Pang

Mr. Ng Wai Hung

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Units 05-10

Level 21

China Insurance Building

No. 166 Lujiazui East Road

Pudong New District

Shanghai 200120

The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1511, 15th Floor

Tower One, Times Square

1 Matheson Street

Causeway Bay

Hong Kong

CORPORATE INFORMATION *(Continued)*

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY SECRETARY

Ms. Lau Sim FCCA, CPA, MSc(FA), SIFM

COMPLIANCE OFFICER

Ms. Chang Hsiu Hua

AUTHORISED REPRESENTATIVES

Ms. Chang Hsiu Hua
Ms. Lau Sim

AUDITOR

RSM Nelson Wheeler
Certified Public Accountants

HONG KONG LEGAL ADVISERS

Chiu & Partners

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Ltd.
China Minsheng Banking Corporation Ltd.

STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

00352

COMPANY WEBSITE

www.fortune-sun.com

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 2011 together with the comparative figures in 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Note	Six months ended 30 June	
		2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Revenue	3	11,805	16,530
Business tax and other levies		(770)	(926)
Cost of services rendered		(18,267)	(17,410)
Gross loss		(7,232)	(1,806)
Other income		1,268	6,962
Operating and administrative expenses		(8,782)	(8,481)
Loss from operations		(14,746)	(3,325)
Finance cost – loan interest		(451)	–
Loss before tax		(15,197)	(3,325)
Income tax credit	4	1,106	1,194
Loss for the period	5	(14,091)	(2,131)
Attributable to:			
Owners of the Company		(14,091)	(2,623)
Non-controlling interests		–	492
		(14,091)	(2,131)
		RMB cents	RMB cents
Loss per share	7		
Basic		7.0	1.3
Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Note	Six months ended 30 June	
		2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Loss for the period		(14,091)	(2,131)
Other comprehensive income:			
Exchange differences on translating foreign operations		(57)	(90)
Other comprehensive income for the period, net of tax		(57)	(90)
Total comprehensive income for the period		(14,148)	(2,221)
Attributable to:			
Owners of the Company		(14,148)	(2,713)
Non-controlling interests		-	492
		(14,148)	(2,221)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	8	2,950	3,361
Investment properties	9	3,943	3,990
Golf club membership		291	291
Available-for-sale financial assets		1,500	1,500
		8,684	9,142
Current assets			
Trade receivables	10	20,223	29,155
Trade deposits	11	24,907	28,980
Prepayments and other deposits		2,805	3,653
Other receivables	12	20,276	19,745
Current tax assets		–	344
Bank and cash balances		26,229	17,203
		94,440	99,080
Current liabilities			
Accruals and other payables		19,339	7,083
Other loan	13	7,900	10,000
		27,239	17,083
Net current assets			
		67,201	81,997
Total assets less current liabilities			
		75,885	91,139
Non-current liabilities			
Deferred tax liabilities	14	4,978	6,084
NET ASSETS			
		70,907	85,055
Capital and reserves			
Share capital	15	20,644	20,644
Reserves		50,263	64,411
TOTAL EQUITY			
		70,907	85,055

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	(Unaudited)									
	Attributable to owners of the Company									
	Share capital	Share premium	Merger reserve	Reserve fund	Share-based payment reserve	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	20,644	40,433	14,554	16,621	4,440	(2,107)	(22)	94,563	-	94,563
Total comprehensive income for the period	-	-	-	-	-	(90)	(2,623)	(2,713)	492	(2,221)
Share-based payments	-	-	-	-	151	-	-	151	-	151
Changes in equity for the period	-	-	-	-	151	(90)	(2,623)	(2,562)	492	(2,070)
At 30 June 2010	20,644	40,433	14,554	16,621	4,591	(2,197)	(2,645)	92,001	492	92,493
At 1 January 2011	20,644	40,433	14,554	16,621	4,312	(2,237)	(9,272)	85,055	-	85,055
Total comprehensive income for the period	-	-	-	-	-	(57)	(14,091)	(14,148)	-	(14,148)
Share options lapsed after vesting period	-	-	-	-	(116)	-	116	-	-	-
Changes in equity for the period	-	-	-	-	(116)	(57)	(13,975)	(14,148)	-	(14,148)
At 30 June 2011	20,644	40,433	14,554	16,621	4,196	(2,294)	(23,247)	70,907	-	70,907

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	11,122	17,346
NET CASH GENERATED FROM INVESTING ACTIVITIES	95	313
NET CASH USED IN FINANCING ACTIVITIES	(2,134)	–
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(57)	(90)
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,026	17,569
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	17,203	8,975
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY	26,229	26,544
Bank and cash balances	26,229	26,544

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These condensed consolidated financial statements 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 disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These condensed consolidated financial statements should be read in conjunction with the 2010 annual consolidated financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2010.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2011. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies and presentation of the Group’s consolidated financial statements and amounts reported for the current period and prior years.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in providing property consultancy and agency services for the primary property market in the PRC, which is the reportable segment of the Group. Revenue during the period under review represents income from the following services:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Comprehensive property consultancy and sales agency service projects	9,968	15,956
Pure property planning and consultancy service projects	1,837	574
	11,805	16,530

The Group has carried on a 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 all the assets are substantially located in the PRC. Therefore, no operating segment information has been presented.

The accounting policies of the operating segment are same as those described in the Group's consolidated financial statements for the year ended 31 December 2010.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. INCOME TAX CREDIT

Income tax credit represents:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Deferred tax (note 14)	1,106	1,194

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit in Hong Kong for the period under review (six months ended 30 June 2010: RMB Nil).

Tax charge on profits assessable elsewhere have 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 24% (six months ended 30 June 2010: 22%) PRC enterprise income tax during the period. No PRC enterprise income tax is required since Shanghai Fortune Sun and Cornerstone have no assessable profit for the period under review (six months ended 30 June 2010: RMB Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. LOSS FOR THE PERIOD

The Group's loss for the period is arrived at after charging/(crediting) the following:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Auditor's remuneration		
– Current	191	169
– Under-provision in prior year	83	–
	274	169
Interest income	(120)	(49)
Depreciation of property, plant and equipment	483	296
Depreciation of investment properties	47	40
Exchange gain, net	–	(89)
Gain on disposals of investment properties	–	(532)
Gain on disposals of property, plant and equipment	(11)	–
Staff costs (including directors' remuneration)		
– Fees, salaries, bonus and allowances	4,478	4,438
– Retirement benefits scheme contributions	850	924
– Equity-settled share-based payments	–	151
	5,328	5,513
Operating lease charges on land and buildings	1,297	2,305
Allowance for/(reversal of) impairment		
– Trade receivables	1,877	(3,136)
– Trade deposits (*)	(1,127)	98
– Other receivables (*)	(144)	(1,345)
	606	(4,383)

* Due to the project developers' ability to pay has improved during the period, there was an improvement of the cash collection from some long aged projects. As a result, impairment losses made in prior years against the trade deposits and other receivables of approximately RMB1,127,000 and RMB144,000 were reversed, respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the period under review (six months ended 30 June 2010: RMB Nil).

7. LOSS PER SHARE

The calculation of basic loss per share attributable to the owners of the Company is based on the loss for the period attributable to the owners of the Company of approximately RMB14,091,000 (six months ended 30 June 2010: RMB2,623,000) and the weighted average number of ordinary shares of 200,470,000 (six months ended 30 June 2010: 200,470,000) in issue during the period.

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary share during the period ended 30 June 2011 (six months ended 30 June 2010: RMB Nil).

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired property, plant and equipment of approximately RMB98,000 (six months ended 30 June 2010: RMB948,000) and disposed of property, plant and equipment with carrying amount of approximately RMB21,000 (six months ended 30 June 2010: RMB Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. INVESTMENT PROPERTIES

	Land RMB'000	Buildings RMB'000	Total RMB'000
Cost			
At 1 January 2010	2,079	2,058	4,137
Additions	796	388	1,184
Disposals	(626)	(568)	(1,194)
At 31 December 2010 (Audited) and 30 June 2011 (Unaudited)	2,249	1,878	4,127
Accumulated depreciation			
At 1 January 2010	68	74	142
Charge for the year	43	41	84
Disposals	(44)	(45)	(89)
At 31 December 2010 (Audited) and 1 January 2011	67	70	137
Charge for the period	26	21	47
At 30 June 2011 (Unaudited)	93	91	184
Carrying amount			
At 30 June 2011 (Unaudited)	2,156	1,787	3,943
At 31 December 2010 (Audited)	2,182	1,808	3,990

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. INVESTMENT PROPERTIES *(Continued)*

All investment properties are located in the PRC. During the period under review, the Group disposed of Nil (six months ended 30 June 2010: three) of its investment properties with a carrying value of RMB Nil (six months ended 30 June 2010: RMB869,000) at a consideration of RMB Nil (six months ended 30 June 2010: RMB1,401,000) resulting in a gain of RMB Nil (six months ended 30 June 2010: RMB532,000) on disposal.

The Board is of the opinion that, had investment properties been carried at their fair values, the amounts would not be less than the stated carrying amounts as at 30 June 2011. The Board intends to hold those properties to earn rentals and/or for capital appreciation.

10. TRADE RECEIVABLES

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Trade receivables	25,638	32,693
Less: Allowance for impairment	(5,415)	(3,538)
	20,223	29,155

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. TRADE RECEIVABLES (Continued)

The credit period granted to trade customers is generally ranging 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:

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Within 90 days	5,517	5,964
Between 91 to 180 days	1,257	1,899
Between 181 to 365 days	4,156	4,702
Between 1 to 2 years	7,405	10,808
Over 2 years	1,888	5,782
	20,223	29,155

11. TRADE DEPOSITS

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Trade deposits	28,438	33,638
Less: Allowance for impairment	(3,531)	(4,658)
	24,907	28,980

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. TRADE DEPOSITS *(Continued)*

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

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

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

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Within 90 days	–	17
Between 91 to 180 days	18	258
Between 181 to 365 days	271	637
Between 1 to 2 years	181	891
Between 2 to 3 years	937	17,726
Over 3 years	23,500	9,451
	24,907	28,980

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. OTHER RECEIVABLES

Included in other receivables is the shareholder's loan to Shanghai Hengda Group (Jiangsu) Investment Co., Ltd. of RMB14,500,000 (31 December 2010: RMB14,500,000). This shareholder's loan is unsecured, interest-free and has no fixed terms of repayment.

13. 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 six 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14. DEFERRED TAX

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

(a) Deferred tax assets

	Uninvoiced expenses	
	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
At beginning of the period/year	(436)	(355)
Charge/(credit) to profit or loss for the period/year (note 4)		
– (origination) and reversal of temporary differences	154	(44)
– changes in tax rates	(12)	(37)
	142	(81)
At end of the period/year	(294)	(436)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14. DEFERRED TAX (Continued)

(b) Deferred tax liabilities

	Uninvoiced revenue	
	30 June	31 December
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
At beginning of the period/year	6,520	10,627
(Credit)/charge to profit or loss for the period/year (note 4)		
– reversal of temporary differences	(1,459)	(4,650)
– changes in tax rates	211	543
	(1,248)	(4,107)
At end of the period/year	5,272	6,520

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14. DEFERRED TAX *(Continued)*

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

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Deferred tax liabilities	5,272	6,520
Deferred tax assets	(294)	(436)
At end of the period/year	4,978	6,084

Deferred taxation is calculated in full on temporary differences under the liability method using a tax rate of 25% (31 December 2010: 24%).

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

15. SHARE CAPITAL

	Number of ordinary shares	Nominal value	
	'000	HK\$'000	RMB'000
Authorised			
Ordinary shares of HK\$0.1 each			
At 31 December 2010 (Audited) and 30 June 2011 (Unaudited)	2,000,000	200,000	206,000
Issued and fully paid			
Ordinary shares of HK\$0.1 each			
At 31 December 2010 (Audited) and 30 June 2011 (Unaudited)	200,470	20,047	20,644

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

16. OPERATING LEASE COMMITMENTS

The Group had total future minimum lease payments under non-cancellable operating leases for office buildings as follows:

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Within one year	2,062	2,252
In the second to fifth years inclusive	1,788	2,640
	3,850	4,892

17. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Fees	293	283
Basic salaries and other allowances	853	1,054
Retirement benefits scheme contributions	29	27
Equity-settled share-based payments	-	76
Total compensation paid to key management personnel	1,175	1,440

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

18. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2011 (31 December 2010: RMB Nil).

19. LITIGATION

In June 2011, a writ was filed with 上海市第一中級人民法院 (Shanghai No.1 Intermediate People's Court) and served by Shanghai Bao Rui Land Company Limited (上海寶瑞置業有限公司) (the "Current Customer") as plaintiff on Shanghai Ke Shang Property Consultant Company Limited (上海可上房產諮詢有限公司) (the "Current Investment Partner", an independent third party of the Group), Shanghai Zhilian Enterprise Development Company Limited (上海智連企業發展有限公司) ("Shanghai Zhilian", an independent third party of the Group) and Shanghai Fortune Sun as defendants in respect of a dispute on land value-added tax liability arising from a real estate project in Shanghai (the "Dispute"). The amount claimed by the Current Customer was RMB60 million and legal costs incidental to the Dispute (the "Claim").

The Current Investment Partner has unconditionally agreed to undertake all potential economic losses suffered by Shanghai Fortune Sun that may arise from the Dispute, including any damages payable by Shanghai Fortune Sun and incidental costs such as legal costs and interests (collectively, the "Potential Liabilities"). The Current Investment Partner has further unconditionally agreed to directly settle any and all the Potential Liabilities payable by Shanghai Fortune Sun by settling such sums on behalf of Shanghai Fortune Sun, or by advance payment to Shanghai Fortune Sun, or otherwise by reimbursement to Shanghai Fortune Sun at its direction.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

19. LITIGATION *(Continued)*

The Directors, after consulting the Group's PRC legal advisers, are of the opinion that the Claim made by the Current Customer against Shanghai Fortune Sun is unmeritorious and without sufficient basis. The Directors also consider that in the event any Potential Liabilities materializes against Shanghai Fortune Sun, the Group will not be materially affected in light of the undertaking against the Potential Liabilities provided by the Current Investment Partner in favour of Shanghai Fortune Sun.

Since the Directors currently consider the probability of the Claim materializing against the Group is remote, no provision in relation to the Claim has been made in the the Group's financial statements as at 30 June 2011. Further disclosure or/and provision in relation to the Claim will be made by the Company as and when appropriate in compliance with the applicable requirements under the HKAS and the Listing Rules.

20. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved and authorised for issue by the Board of Directors on 27 August 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In 2011, the policy intent of the Chinese Central Government towards the adjustment of commercial property market in the PRC became more specific and meticulous. In order to further consolidate and extend the effect of the adjustment, the central and local governments implemented more stringent adjustment measures such as “house tax”, “the Eight New Measures of the State Council”, “limited purchasing order”, “social housing” and “monetary loan”. Mortgage costs in Mainland China increased as a result of the increases in bank reserve requirement rate for six times and the increases of interest rate twice in the first half of the year. The restriction in percentage of property loans from banks had also caused the property market in the PRC to remain stagnant during the first half of the year. The sentiment of the speculative property market was further heavily undermined by the promulgation of measures against ordinary housing by the Ministry of Finance and the State Administration of Taxation on 27 January which stipulated a levy of full amount of business tax for ordinary housing sold within five years of purchase. As a consequence, the commercial property transaction volume in terms of gross floor area in Shanghai in the first half of current year decreased by 37% as compared to the second half of last year, while property inventory increased by 2.05 million square metres, represented an increase of approximately 36% and a historical high since February 2009. In Zhejiang, saleable area of real estate decreased by 13.2% over the corresponding period in last year. In a nutshell, the Group’s operating performance has been facing a significant challenge in 2011.

During the period under review, the Group recorded an unaudited turnover of approximately RMB11,805,000, represented a decrease of approximately 28.6% as compared with the unaudited turnover of approximately RMB16,530,000 in the first half year of 2010. Such decrease was mainly due to substantial decrease in demand in some first-tier cities after a series of stringent adjustment measures which resulted in substantially less than expected sales of certain high-end property projects in Shanghai and Jiangsu during the first half of this year. However, the Group recorded satisfactory revenues on certain projects developed in some second and third-tier cities in the first half of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW *(Continued)*

For the six months ended 30 June 2011, the gross loss margin of the Group was approximately 61.3% (corresponding period in 2010: 10.9%). The substantial increase in gross loss margin was mainly due to the significant marketing and advertising expenses spent for promoting sales of certain high-end projects, and that notwithstanding such marketing efforts, sales revenue was eventually far less than expected. Besides, certain costs of services rendered did not fall in tandem with the drop in revenue but remained at a relatively stable level due to the Group's scale of operation. As a result of the gross loss margin in the period, the Group suffered a loss for the reporting period. The unaudited loss attributable to the owners of the Company during the period under review rose to approximately RMB14,091,000 as compared with the loss of approximately RMB2,131,000 for the corresponding period in 2010. The increase in loss was principally due to the significant decrease in the Group's turnover and higher gross loss margin.

During the period under review, most of the Group's recorded revenue was generated from projects in Hubei, followed by Jiangsu and Hainan, which represented 56%, 21% and 8% of the Group's total revenue, respectively. In comparison, in the first half of 2010, the Group's recorded revenue was mainly generated from projects in Jiangsu, followed by Hubei and Shanghai, which represented 50%, 26% and 17% of total revenue, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPREHENSIVE PROPERTY CONSULTANCY AND AGENCY BUSINESS

During the period under review, the Group mainly provided comprehensive property consultancy and agency services for the primary residential and commercial property market in the PRC. For the six months ended 30 June 2011, the Group had 16 projects in operation (six months ended 30 June 2010: 20 projects), of which 11 projects were comprehensive property consultancy and agency projects (six months ended 30 June 2010: 17 projects). For the six months ended 30 June 2011, gross floor areas of approximately 0.132 million square metres (six months ended 30 June 2010: 0.176 million square metres) 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 RMB9,968,000 contributed approximately 84.4% of the unaudited total revenue of the Group during the period under review (six months ended 30 June 2010: approximately RMB15,956,000 or contributed approximately 96.5%).

As at 30 June 2011, the Group had a total of 28 property consultancy and agency projects on hand with total unsold gross floor areas of approximately 3.88 million square metres (six months ended 30 June 2010: 30 property consultancy and agency projects, with total unsold gross floor areas of approximately 3.39 million square metres). Among these 28 projects, the sales of the underlying properties of 9 projects have not yet commenced as at 30 June 2011.

PURE PROPERTY PLANNING AND CONSULTANCY BUSINESS

During the period under review, the Group also committed to develop in the pure property planning and consultancy business. During the six months ended 30 June 2011, the Group provided pure property planning and consultancy services for 5 property development projects (six months ended 30 June 2010: 3 projects) and recorded pure planning and consultancy revenue of approximately RMB1,837,000, represented approximately 15.6% of the unaudited total revenue of the Group (six months ended 30 June 2010: revenue of approximately RMB574,000 or 3.5%).

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

As at the end of June 2011, there were more property inventories in the property market in Mainland China than that as at the end of 2010. Some investors remained cautious and took longer term of view on the market before taking any actions. It is expected that the government will push forward and further enhance the implementation of property policies and put more efforts in the construction of social housing. Therefore, the second and third-tier cities where property price had increased at an excessive speed may become the subject of the next round of market adjustments to be implemented by the PRC government. Given the sufficient supply in real estate in various cities across the country, and in light of the growing amount of property inventories and liquidity strain faced by developers, the management expects that the pressure in the market will intensify and there may be price reduction by some developers to boost sales, and therefore the number of transactions recorded would likely increase in the second half of the year. As the process of urbanization in the PRC goes on and future demand from sincere buyers remains, it is expected that the sales of properties may substantially increase soon after the property market has been adjusted to a more reasonable and acceptable price level. Currently, the Group is making more efforts to develop its pure planning and consultation business as well as to participate and identify more opportunities in property development in order to improve the profitability of the Group in the future.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, the Group had unaudited net current assets of approximately RMB67.20 million (31 December 2010: RMB82.00 million), unaudited total assets of approximately RMB103.12 million (31 December 2010: RMB108.22 million) and unaudited shareholders' funds of approximately RMB70.91 million (31 December 2010: RMB85.06 million).

As at 30 June 2011, the unaudited bank and cash balances of the Group amounted to approximately RMB26.23 million (31 December 2010: RMB17.20 million).

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

The Group had a short term borrowing of RMB7.90 million as at 30 June 2011 (31 December 2010: RMB10.00 million). As at 30 June 2011, the Group's gearing ratio was 11.1% (31 December 2010: 11.8%).

PLEDGED ASSETS

As at 30 June 2011, the Group did not pledge or charge any property, plant or equipment to secure any loans or bank facilities of the Group (31 December 2010: RMB Nil).

FOREIGN EXCHANGE EXPOSURE

As the Group's sales are predominantly denominated in Renminbi and the purchases and expenses are mainly denominated in Renminbi, the Group's currency fluctuation risk is considered insignificant. The Group currently does not have any foreign currency hedging policy. However, the management continuously monitors the Group's foreign exchange exposure and will consider to hedge significant currency risk exposure should the need arise.

STAFF

As at 30 June 2011, the Group had a total of 210 staff (31 December 2010: 268 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 EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION**

As at 30 June 2011, the interests and short positions of the Directors and chief executive of the Company in the shares ("Shares"), underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong)), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

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

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVE'S 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 (Note 1)	Approximate of percentage shareholding
Mr. Han Lin ("Mr. Han")	The Company	Beneficial owner	7,051,801 Ordinary Shares (L)	3.52%
		Beneficial owner (Note 6)	2,700,000 Ordinary Shares (L)	1.30% (Note 12)
Ms. Chang Hsiu Hua ("Ms. Chang")	The Company	Interest of spouse (Note 7)	67,820,850 Ordinary Shares (L)	33.83%
		Beneficial owner and interest of spouse (Note 8)	1,500,000 Ordinary Shares (L)	0.72% (Note 12)
Dr. Cheng Chi Pang ("Dr. Cheng")	The Company	Beneficial owner (Note 9)	100,000 Ordinary Shares (L)	0.05% (Note 12)
Mr. Ng Wai Hung ("Mr. Ng")	The Company	Beneficial owner (Note 10)	100,000 Ordinary Shares (L)	0.05% (Note 12)
Mr. Cui Shi Wei ("Mr. Cui")	The Company	Beneficial owner (Note 11)	100,000 Ordinary Shares (L)	0.05% (Note 12)

DISCLOSURE OF INTERESTS

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

Notes:

1. The letter "L" denotes the Director's long position in the Shares or underlying Shares of the Company.
2. These Shares were registered in the name of Active Star Investment Limited ("Active Star"), the entire issued capital of which was owned by Mr. Chiang. Mr. Chiang was also the sole director of Active Star. Mr. Chiang was deemed to be interested in all the Shares in which Active Star was interested by virtue of the SFO.
3. The long position of Mr. Chiang in these 1,500,000 Shares comprised the 750,000 options and 550,000 options granted to him and his wife, Ms. Chang, respectively, by the Company under the Pre-IPO Share Option Scheme (as defined below), and 100,000 options granted to him and 100,000 options granted to Ms. Chang by the Company under the Share Option Scheme (as defined below) on 12 March 2008. Mr. Chiang was regarded as interested in all the options in which Ms. Chang was interested by virtue of the SFO.
4. These shares were registered in the name of Upwell Assets Corporation ("Upwell Assets"), the entire issued capital of which was owned by Ms. Lin. Ms. Lin was also one of the directors of Upwell Assets. Ms. Lin was deemed to be interested in all the shares in which Upwell Assets was interested by virtue of the SFO.
5. The long position of Ms. Lin represented 100,000 options granted to her by the Company under the Share Option Scheme on 12 March 2008.
6. The long position of Mr. Han in these 2,700,000 Shares comprised the 750,000 options and 1,950,000 options granted to him by the Company under the Pre-IPO Share Option Scheme and the Share Option Scheme on 12 March 2008, respectively.
7. Ms. Chang was regarded as interested in all the Shares referred to in note (2) above, in which Mr. Chiang, her husband, was interested by virtue of the SFO.

DISCLOSURE OF INTERESTS

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

Notes: *(Continued)*

8. The long position of Ms. Chang in these 1,500,000 Shares comprised the 550,000 options and 750,000 options granted to her and her husband, Mr. Chiang, respectively, by the Company under the Pre-IPO Share Option Scheme, and 100,000 options granted to her and 100,000 options granted to Mr. Chiang by the Company under the Share Option Scheme on 12 March 2008. Ms. Chang was regarded as interested in all the options in which Mr. Chiang was interested by virtue of the SFO.
9. The long position of Dr. Cheng in these 100,000 Shares represented the 100,000 options granted to him by the Company under the Share Option Scheme on 12 March 2008.
10. The long position of Mr. Ng in these 100,000 Shares represented 100,000 options granted to him by the Company under the Share Option Scheme on 12 March 2008.
11. The long position of Mr. Cui in these 100,000 Shares represented 100,000 options granted to him by the Company under the Share Option Scheme on 12 March 2008.
12. These percentages are calculated on the basis of 208,410,000 Shares of the Company in issue as at 30 June 2011, assuming that all the then outstanding options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme had been exercised as at that date.

Save as disclosed above, as at 30 June 2011, 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 or 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 the 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.

DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2011, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholder	Capacity	Number and class of securities (Note 1)	Approximate of percentage shareholding
Active Star	Beneficial owner (Note 2)	67,820,850 Ordinary Shares (L)	33.83%
Upwell Assets	Beneficial owner (Note 3)	36,352,050 Ordinary Shares (L)	18.13%
Honorway Nominees Limited ("Honorway")	Beneficial owner (Note 4)	16,248,300 Ordinary Shares (L)	8.11%
Honorway Investments Limited	Interest of a controlled corporation (Note 4)	16,248,300 Ordinary Shares (L)	8.11%
Mr. Ho Hau Chong, Norman	Interest of a controlled corporation (Note 4)	16,248,300 Ordinary Shares (L)	8.11%
Ms. Yvette Therese Ma	Interest of spouse (Note 5)	16,248,300 Ordinary Shares (L)	8.11%

DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY *(Continued)*

Name of Shareholder	Capacity	Number and class of securities (Note 1)	Approximate of percentage shareholding
Mr. Ho Hau Hay, Hamilton	Interest of a controlled corporation (Note 4)	16,248,300 Ordinary Shares (L)	8.11%
Ms. Sharon Young	Interest of spouse (Note 6)	16,248,300 Ordinary Shares (L)	8.11%
Ms. Hsieh Hsiu-Mei ("Ms. Hsieh")	Interest of a controlled corporation (Note 7)	7,220,000 Ordinary Shares (L)	3.60%
	Beneficial Owner	4,716,000 Ordinary Shares (L)	2.35%
Mr. Chu Yao-Jen	Interest of spouse (Note 8)	11,936,000 Ordinary Shares (L)	5.95%
Mrs. Chen Hsu Li-Mei	Beneficial Owner	11,122,000 Ordinary Shares (L)	5.55%
Mr. Chen Chin Chuan	Interest of spouse (Note 9)	11,122,000 Ordinary Shares (L)	5.55%

DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY *(Continued)*

Notes:

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

DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY *(Continued)*

Notes: *(Continued)*

8. Mr. Chu Yao-Jen was the husband of Ms. Hsieh Hsiu-Mei and he was deemed to be interested in all the Shares in which Ms. Hsieh was interested by virtue of the SFO.
9. Mr. Chen Chin Chuan was the husband of Mrs. Chen Hsu Li-Mei and he was deemed to be interested in all the Shares in which Mrs. Chen Hsu Li-Mei was interested by virtue of the SFO.

Save as disclosed above, so far as the Directors are aware, as at 30 June 2011, no person, other than the Directors and chief executive of the Company whose interests are set out in the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, had an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

DISCLOSURE OF INTERESTS

SHARE OPTION SCHEMES

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

A post-IPO share option scheme (“Share Option Scheme”) was also adopted pursuant to the written 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.

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.

DISCLOSURE OF INTERESTS

SHARE OPTION SCHEMES (Continued)

Details of the movements of the outstanding share options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme of the Company for the six months ended 30 June 2011 were as follows:

Category of participant	Number of shares in respect of share options					Date of grant	Exercise period	Closing price of the shares on the trading day immediately before the date of grant	
	Outstanding as at 1 January 2011	Granted during the period	Exercised during the period	Cancelled or lapsed during the period	Outstanding as at 30 June 2011			Exercise price per share HK\$	HK\$
Directors:									
Chiang Chen Feng	750,000	-	-	-	750,000	10/06/2006	05/07/2007 to 04/07/2016	0.795	N/A
	50,000	-	-	-	50,000	12/03/2008	12/03/2009 to 11/03/2018	1.12	1.12
	50,000	-	-	-	50,000	12/03/2008	12/03/2010 to 11/03/2018	1.12	1.12
	850,000	-	-	-	850,000				
Han Lin	750,000	-	-	-	750,000	10/06/2006	05/07/2007 to 04/07/2016	0.795	N/A
	975,000	-	-	-	975,000	12/03/2008	12/03/2009 to 11/03/2018	1.12	1.12
	975,000	-	-	-	975,000	12/03/2008	12/03/2010 to 11/03/2018	1.12	1.12
	2,700,000	-	-	-	2,700,000				
Chang Hsiu Hua	550,000	-	-	-	550,000	10/06/2006	05/07/2007 to 04/07/2016	0.795	N/A
	50,000	-	-	-	50,000	12/03/2008	12/03/2009 to 11/03/2018	1.12	1.12
	50,000	-	-	-	50,000	12/03/2008	12/03/2010 to 11/03/2018	1.12	1.12
	650,000	-	-	-	650,000				

DISCLOSURE OF INTERESTS

SHARE OPTION SCHEMES (Continued)

Category of participant	Number of shares in respect of share options					Date of grant	Exercise period	Closing price of the shares on the trading day immediately before the date of grant	
	Outstanding as at 1 January 2011	Granted during the period	Exercised during the period	Cancelled or lapsed during the period	Outstanding as at 30 June 2011			Exercise price per share HK\$	Exercise price per share HK\$
Lin Chien Ju	50,000	-	-	-	50,000	12/03/2008	12/03/2009 to 11/03/2018	1.12	1.12
	50,000	-	-	-	50,000	12/03/2008	12/03/2010 to 11/03/2018	1.12	1.12
Cheng Chi Pang	50,000	-	-	-	50,000	12/03/2008	12/03/2009 to 11/03/2018	1.12	1.12
	50,000	-	-	-	50,000	12/03/2008	12/03/2010 to 11/03/2018	1.12	1.12
Ng Wai Hung	50,000	-	-	-	50,000	12/03/2008	12/03/2009 to 11/03/2018	1.12	1.12
	50,000	-	-	-	50,000	12/03/2008	12/03/2010 to 11/03/2018	1.12	1.12
Cui Shi Wei	50,000	-	-	-	50,000	12/03/2008	12/03/2009 to 11/03/2018	1.12	1.12
	50,000	-	-	-	50,000	12/03/2008	12/03/2010 to 11/03/2018	1.12	1.12
Employees:									
In aggregate	1,390,000	-	-	-	1,390,000	10/06/2006	05/07/2007 to 04/07/2016	0.795	N/A
	1,075,000	-	-	(100,000)	975,000	12/03/2008	12/03/2009 to 11/03/2018	1.12	1.12
	1,075,000	-	-	(100,000)	975,000	12/03/2008	12/03/2010 to 11/03/2018	1.12	1.12
	<u>3,540,000</u>	-	-	<u>(200,000)</u>	<u>3,340,000</u>				
	<u>8,140,000</u>	-	-	<u>(200,000)</u>	<u>7,940,000</u>				

DISCLOSURE OF INTERESTS

SHARE OPTION SCHEMES *(Continued)*

For the six months ended 30 June 2011, 200,000 options had lapsed during the six months under the Share Option Scheme.

The maximum number of unexercised options currently permitted to be granted under the Share Option Scheme and any other scheme (including outstanding options granted under the Pre-IPO Share Option Scheme) is an amount equivalent, upon their exercise, to 30% of the Shares in issue at any time.

As at the date of this report, options granted under the Share Option Scheme to subscribe for 4,500,000 shares, representing approximately 2.2% of the issued share capital of the Company at the date, remained outstanding.

OTHER INFORMATION

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 Fu Yang Property Consultant Co., Limited ("Shanghai Fortune Sun"), a wholly-owned subsidiary of the Company, 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 Ke Shang Property Consultant Company Limited (上海可上房產諮詢有限公司) (the "Current Investment Partner"), an independent third party of the Group, had fully underwritten the sale of the property under the Subject Project on 23 October 2008 and assumed the repayment obligations in respect of the Security Deposit on 24 October 2008. 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.

OTHER INFORMATION

DISCLOSURE PURSUANT TO RULES 13.13 AND 13.15 OF THE LISTING RULES *(Continued)*

(i) *(Continued)*

Subsequently, pursuant to the underwriting agency agreement and underwriting settlement agreement entered into between the Current Investment Partner, Shanghai Fortune Sun and Shanghai Bao Rui Land Company Limited (上海寶瑞置業有限公司) (the "Current Customer") on 23 October 2008 and 11 January 2010, respectively, 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 (as defined below) 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 previously 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 30 June 2011 and 31 December 2010 respectively.

OTHER INFORMATION

DISCLOSURE PURSUANT TO RULES 13.13 AND 13.15 OF THE LISTING RULES *(Continued)*

(i) *(Continued)*

As the amount of the Security Deposit represented approximately 19.4% of the assets ratio as defined under Rule 14.07(1) of the Listing Rules as at 30 June 2011, the Company's general disclosure obligation of certain particulars of the Security Deposit as prescribed under Rule 13.15 of the Listing Rules 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 Shanghai Hengda Group (Jiangsu) Investment Co., Ltd. ("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 30 June 2011 and 31 December 2010 respectively.

As the amount of the Shareholder's Loan represents approximately 14.1% of the assets ratio as defined under Rule 14.07(1) of the Listing Rules as at 30 June 2011, the Company's general disclosure obligation of certain particulars of the Shareholder's Loan as prescribed under Rule 13.15 arose.

OTHER INFORMATION

LITIGATION

In June 2011, a writ was filed with 上海市第一中級人民法院 (Shanghai No.1 Intermediate People's Court) and served by the Current Customer as plaintiff on the Current Investment Partner, Shanghai Zhilian and Shanghai Fortune Sun as defendants in respect of a dispute on land value-added tax liability arising from the Subject Project (the "Dispute"). The amount claimed by the Current Customer was RMB60 million and legal costs incidental to the Dispute (the "Claim").

The Current Investment Partner has unconditionally agreed to undertake all potential economic losses suffered by Shanghai Fortune Sun that may arise from the Dispute, including any damages payable by Shanghai Fortune Sun and incidental costs such as legal costs and interests (collectively, the "Potential Liabilities"). The Current Investment Partner has further unconditionally agreed to directly settle any and all such Potential Liabilities payable by Shanghai Fortune Sun by settling such sums on behalf of Shanghai Fortune Sun, or by advance payment to Shanghai Fortune Sun, or otherwise by reimbursement to Shanghai Fortune Sun at its direction.

The Directors, after consulting the Group's PRC legal advisers, are of the opinion that the Claim made by the Current Customer against Shanghai Fortune Sun is unmeritorious and without sufficient basis. The Directors also consider that in the event any Potential Liabilities materializes against Shanghai Fortune Sun, the Group will not be materially affected in light of the undertaking against the Potential Liabilities provided by the Current Investment Partner in favour of Shanghai Fortune Sun.

Further disclosure in relation to the Dispute will be made by the Company as and when appropriate in compliance with the applicable requirements under the Listing Rules.

Please refer to note 19 to the condensed consolidated interim financial statements for further information of the Dispute.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the period under review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

None of the 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 (the "CG Code") as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2011, except for code provision A2.1 of the CG Code 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 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 (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors, and all Directors have confirmed to the Company that they have fully complied with the required standard set out in the Model Code during the six months ended 30 June 2011.

OTHER INFORMATION

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 of the Company for the six months ended 30 June 2011 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 Company's external auditor in accordance with certain procedures set out in the 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.

REVIEW OF ACCOUNTS

At the request of the Directors, the Company's external auditor, RSM Nelson Wheeler, has carried out a review on the unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 June 2011 in accordance with certain procedures set out in the 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 of the Company for the six months ended 30 June 2011 were approved by the Board on 27 August 2011.

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

Hong Kong, 27 August 2011