

Fortune
Sun

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
2012



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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, FCPA, 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)
Limited
China Minsheng Banking Corp., 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 2012 together with the comparative figures in 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Note	Six months ended 30 June	
		2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Revenue	3	15,965	11,805
Business tax and other levies		(344)	(770)
Cost of services rendered		(9,184)	(18,267)
Gross profit/(loss)		6,437	(7,232)
Other income		4,924	1,268
Operating and administrative expenses		(6,321)	(8,782)
Profit/(loss) from operations		5,040	(14,746)
Finance cost – loan interest		(531)	(451)
Profit/(loss) before tax		4,509	(15,197)
Income tax (expense)/credit	4	(2,322)	1,106
Profit/(loss) for the period attributable to owners of the Company	5	2,187	(14,091)
Earnings/(loss) per share	7	RMB cents	RMB cents
Basic		1.1	(7.0)
Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Profit/(loss) for the period	2,187	(14,091)
Other comprehensive income:		
Exchange differences on translating foreign operations	(78)	(57)
Other comprehensive income for the period, net of tax	(78)	(57)
Total comprehensive income for the period attributable to owners of the Company	2,109	(14,148)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	Note	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	8	2,069	2,499
Investment properties	9	3,850	3,897
Golf club membership		291	291
Available-for-sale financial assets		1,500	1,500
		7,710	8,187
Current assets			
Trade receivables	10	19,068	17,448
Trade deposits	11	16,820	17,995
Prepayments and other deposits		677	2,042
Other receivables	12	22,435	18,584
Bank and cash balances		11,249	13,204
		70,249	69,273
Current liabilities			
Accruals and other payables		4,578	8,510
		65,671	60,763
Net current assets			
		73,381	68,950
Non-current liabilities			
Other loan	13	8,000	8,000
Deferred tax liabilities	14	6,569	4,247
		14,569	12,247
NET ASSETS			
		58,812	56,703
Capital and reserves			
Share capital	15	20,644	20,644
Reserves		38,168	36,059
TOTAL EQUITY			
		58,812	56,703

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	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
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011 (audited)	20,644	40,433	14,554	16,621	4,312	(2,237)	(9,272)	85,055
Total comprehensive income for the period	-	-	-	-	-	(57)	(14,091)	(14,148)
Share options lapsed after vesting period	-	-	-	-	(116)	-	116	-
Changes in equity for the period	-	-	-	-	(116)	(57)	(13,975)	(14,148)
At 30 June 2011 (unaudited)	20,644	40,433	14,554	16,621	4,196	(2,294)	(23,247)	70,907
At 1 January 2012 (audited)	20,644	40,433	14,554	16,621	4,196	(2,425)	(37,320)	56,703
Total comprehensive income for the period	-	-	-	-	-	(78)	2,187	2,109
Share options lapsed after vesting period	-	-	-	-	(460)	-	460	-
Changes in equity for the period	-	-	-	-	(460)	(78)	2,647	2,109
At 30 June 2012 (unaudited)	20,644	40,433	14,554	16,621	3,736	(2,503)	(34,673)	58,812

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(1,692)	11,122
NET CASH GENERATED FROM INVESTING ACTIVITIES	95	95
NET CASH USED IN FINANCING ACTIVITIES	(280)	(2,134)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(78)	(57)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,955)	9,026
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	13,204	17,203
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY	11,249	26,229
Bank and cash balances	11,249	26,229

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 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.

These condensed consolidated financial statements should be read in conjunction with the 2011 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 2011.

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 2012. 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 sales 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	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Comprehensive property consultancy and sales agency service projects	13,789	9,968
Pure property planning and consultancy service projects	2,176	1,837
	15,965	11,805

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 2011.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. INCOME TAX (EXPENSE)/CREDIT

Income tax (expense)/credit represents:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Deferred tax (note 14)	(2,322)	1,106

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 2011: 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 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 tax law was effective since 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 25% (six months ended 30 June 2011: 24%) PRC enterprise income tax during the period. No PRC enterprise income tax is required since Shanghai Fortune Sun has sufficient tax losses brought forward to set off against current period's assessable profit and Cornerstone has no assessable profit for the period under review (six months ended 30 June 2011: RMB Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Auditor's remuneration		
– Current	203	191
– Under-provision in prior year	64	83
	267	274
Interest income	(95)	(120)
Depreciation of property, plant and equipment	432	483
Depreciation of investment properties	47	47
Exchange gain, net	(72)	–
Gain on disposals of property, plant and equipment	–	(11)
Staff costs (including directors' remuneration)		
– Fees, salaries, bonus and allowances	6,332	4,478
– Retirement benefits scheme contributions	948	850
	7,280	5,328
Operating lease charges on land and buildings	1,364	1,297
Allowance for/(reversal of) impairment		
– Trade receivables (*)	(1,660)	1,877
– Trade deposits (*)	(2,197)	(1,127)
– Other receivables (*)	(893)	(144)
	(4,750)	606

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. PROFIT/(LOSS) FOR THE PERIOD *(Continued)*

- * Due to some 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 receivables, trade deposits and other receivables of approximately RMB1,660,000, RMB2,197,000 and RMB893,000 were reversed respectively.

6. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the period under review (six months ended 30 June 2011: RMB Nil).

7. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of approximately RMB2,187,000 (six months ended 30 June 2011: loss of RMB14,091,000) and the weighted average number of ordinary shares of 200,470,000 (six months ended 30 June 2011: 200,470,000) in issue during the period.

No diluted earnings/(loss) per share is presented as the Company did not have any dilutive potential ordinary share during the period ended 30 June 2012 (six months ended 30 June 2011: RMB Nil).

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired property, plant and equipment of approximately RMB2,000 (six months ended 30 June 2011: RMB98,000) and did not dispose any property, plant and equipment (six months ended 30 June 2011: RMB21,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. INVESTMENT PROPERTIES

	Land RMB'000	Buildings RMB'000	Total RMB'000
Cost			
At 1 January 2011 (Audited), 31 December 2011 (Audited) and 30 June 2012 (Unaudited)	2,249	1,878	4,127
Accumulated depreciation			
At 1 January 2011 (Audited)	67	70	137
Charge for the year	51	42	93
At 31 December 2011 (Audited) and 1 January 2012 (Audited)	118	112	230
Charge for the period	26	21	47
At 30 June 2012 (Unaudited)	144	133	277
Carrying amount			
At 30 June 2012 (Unaudited)	2,105	1,745	3,850
At 31 December 2011 (Audited)	2,131	1,766	3,897

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 has no addition or disposal of investment properties (six months ended 30 June 2011: Nil).

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 2012. The Board intends to hold those properties to earn rentals and/or for capital appreciation.

As at 30 June 2012, all the investment properties had been pledged as security for the Group's other loan amounted to RMB8,000,000 (31 December 2011: RMB8,000,000) in note 13 to the condensed consolidated interim financial statements.

10. TRADE RECEIVABLES

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Trade receivables	22,466	22,506
Less: Allowance for impairment	(3,398)	(5,058)
	19,068	17,448

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 generally ranges from 1 month to 3 months. The ageing analysis of the Group's trade receivables, based on the billing summary, and net of allowance for impairment is as follows:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within 90 days	10,003	3,408
Between 91 to 180 days	2,007	2,013
Between 181 to 365 days	1,248	4,052
Between 1 to 2 years	5,130	6,205
Over 2 years	680	1,770
	19,068	17,448

11. TRADE DEPOSITS

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Trade deposits	20,211	23,583
Less: Allowance for impairment	(3,391)	(5,588)
	16,820	17,995

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 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within 90 days	195	–
Between 91 to 180 days	–	–
Between 181 to 365 days	–	–
Between 1 to 2 years	437	417
Between 2 to 3 years	875	833
Over 3 years	15,313	16,745
	16,820	17,995

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 approximately RMB18,677,000 (31 December 2011: 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 floating interest rate based on twice of the benchmark interest rate for RMB loans of the same periods from financial institutions announced by the People's Bank of China, thus exposes the Group to cash flow interest rate risk, and will be repayable on or before December 2014. The other loan is secured by the Group's investment properties disclosed in note 9 to the condensed consolidated interim financial statements.

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 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
At beginning of the period/year	(616)	(436)
Charge/(credit) to profit or loss for the period/year (note 4)		
– origination and reversal of temporary differences	570	(155)
– changes in tax rates	–	(25)
	570	(180)
At end of the period/year	(46)	(616)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14. DEFERRED TAX *(Continued)*

(b) Deferred tax liabilities

	Uninvoiced revenue	
	30 June	31 December
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
At beginning of the period/year	4,863	6,520
Charge/(credit) to profit or loss for the period/year (note 4)		
– origination and reversal of temporary differences	1,752	(1,852)
– changes in tax rates	–	195
	1,752	(1,657)
At end of the period/year	6,615	4,863

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 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Deferred tax liabilities	6,615	4,863
Deferred tax assets	(46)	(616)
At end of the period/year	6,569	4,247

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 '000	Nominal value	
		HK\$'000	RMB'000
Authorised			
Ordinary shares of HK\$0.1 each			
At 31 December 2011 (audited) and 30 June 2012 (unaudited)	2,000,000	200,000	206,000
Issued and fully paid			
Ordinary shares of HK\$0.1 each			
At 31 December 2011 (audited) and 30 June 2012 (unaudited)	200,470	20,047	20,644

16. OPERATING LEASE COMMITMENTS

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within one year	1,906	2,161
In the second to fifth years inclusive	67	1,000
	1,973	3,161

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

17. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Fees	283	293
Basic salaries and other allowances	963	853
Retirement benefits scheme contributions	32	29
Total compensation paid to key management personnel	1,278	1,175

18. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2012 (31 December 2011: RMB Nil).

19. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved and authorised for issue by the Board of Directors on 24 August 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2012, shadowed by the unfavorable international economic outlook and the domestic economic growth slowdown, the Chinese central government prioritized “stable growth” in its economic development plan. Prudent monetary policies had been pursued as the central government lowered bank’s reserve requirement ratio twice and interest rate on loans once during the period.

In order to consolidate the effect of real estate regulations, the Chinese government, on the one hand, has continued to resolutely curb speculation and investment demand and maintain restrictions on house purchasing and mortgage loans, on the other hand, has taken measures in supporting and protecting reasonable needs for owner-occupied residence. More than 30 cities had introduced housing incentives such as adjustment of housing provident fund loan facilities and reduction of tax on first-time purchases of properties. Statistically, from January to June 2012, the gross floor area of commodity housing sold in China fell 10.0% year-on-year, with a decrease of 11.2% in residential gross floor area sold. The sales value of commodity housing in China fell 5.2% year-on-year, with a decrease of 6.5% in sales value of residential properties. In June 2012, the Real Estate Climate Index of the country dropped from approximately 99 at the end of 2011 to approximately 95, reflecting a slowdown in the property market of Mainland China.

During the period under review, the Group recorded an unaudited revenue of approximately RMB15,965,000, representing an increase of approximately 35.2% as compared with the unaudited revenue of approximately RMB11,805,000 in the first half of 2011. Due to several announcements made by Chinese regulators to show their determination to curb property prices and the series of stringent control measures imposed, market sentiment in the first and second-tier cities was relatively prudent in the first half of the year and the demand was substantially reduced. Certain residential projects that had recorded positive sales last year were marked by substantially less than expected sales this year. Due to the tightening of credit policies, some developers experienced insufficient investment funds thus had to postpone, terminate property sales or even dispose of interests in development projects. Nevertheless, the Group had recorded satisfactory revenues on several projects in the first half of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

For the six months ended 30 June 2012, the gross profit margin of the Group was approximately 40.3% (six months ended 30 June 2011: gross loss margin of approximately 61.3%). The turnaround from loss to profit was mainly because in addition to the increase in sales revenue, the Group had been focusing on cost control in the first half of the year, in particular substantially reducing marketing expenses. The unaudited profit attributable to the owners of the Company during the period under review was approximately RMB2,187,000 (six months ended 30 June 2011: loss of approximately RMB14,091,000).

During the period under review, most of the Group's recorded revenue was generated from projects in Shanghai, followed by Jiangsu province and Hubei province, which represented approximately 51.2%, 23.4% and 17.4% of the Group's total revenue respectively. By comparison, in the first half year of 2011, the Group's recorded revenue was mainly generated from projects in Hubei province, followed by Jiangsu province and Hainan province, which represented approximately 55.7%, 20.9% and 7.7% of total revenue, respectively.

COMPREHENSIVE PROPERTY CONSULTANCY AND SALES AGENCY BUSINESS

The Group has been mainly engaged in providing comprehensive property consultancy and sales agency services for the primary residential and commercial property market in the PRC. For the six months ended 30 June 2012, the Group had 20 projects in operation (six months ended 30 June 2011: 16 projects), of which 16 projects were comprehensive property consultancy and sales agency projects (six months ended 30 June 2011: 11 projects). Gross floor areas of approximately 149,000 square metres (six months ended 30 June 2011: 132,000 square metres) of the relevant underlying properties under these comprehensive property consultancy and sales agency projects were sold through the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPREHENSIVE PROPERTY CONSULTANCY AND SALES AGENCY BUSINESS *(Continued)*

Total unaudited revenue generated from these comprehensive property consultancy and sales agency projects of approximately RMB13,789,000 contributed approximately 86.4% of the unaudited total revenue of the Group during the period under review (six months ended 30 June 2011: approximately RMB9,968,000 or contributed approximately 84.4%).

As at 30 June 2012, the Group had a total of 25 comprehensive property consultancy and sales agency projects on hand with total unsold gross floor areas of approximately 3,809,000 square metres (as at 30 June 2011: 28 comprehensive property consultancy and sales agency projects, with total unsold gross floor areas of approximately 3,880,000 square metres). Among these 25 projects, the sales of the underlying properties of 9 projects have not yet commenced as at 30 June 2012.

PURE PROPERTY PLANNING AND CONSULTANCY BUSINESS

During the period under review, the Group also committed to developing the pure property planning and consultancy business. However, the area of newly-started residential properties in the country continued a weaker trend in the first half year, representing a fall of 10.7% year-on-year, and the area of lands purchased by property developers decreased by 19.9% year-on-year. In view of this, during the six months ended 30 June 2012, the Group provided pure property planning and consultancy services for only 4 property development projects (six months ended 30 June 2011: 5 projects) and recorded pure planning and consultancy revenue of approximately RMB2,176,000, accounting for approximately 13.6% of the total unaudited revenue of the Group (six months ended 30 June 2011: revenue of approximately RMB1,837,000 or accounting for approximately 15.6%).

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

In the first half of the year, micro adjustment of differentiated housing policies, rigid property demand, low interest costs together with the incentive sales strategy of lowering price to improve sales volume adopted by developers resulted in increasingly buoyant market activities of the property market in Mainland China.

Looking forward to the second half of the year, the macro-economy is expected to be under more pressures. Increasing investments, especially in infrastructure, will continue to be an important means of maintaining stable economic growth in China. It is expected that the micro-adjustment of monetary policy will intensify, the control over property market will not be relieved and property investment demand will continue to be restrained. In addition, the area of newly-started residential properties in the country continued a weaker trend as the finance crunch in the property industry has not yet been fundamentally mitigated. In June 2012, the area of commodity housing available for sale in China was 314.08 million square meters, which represented an increase by 33.1% year-on-year and a continuing high level of inventories in the property market. Accordingly, it is estimated that the area of newly-started residential property projects in China will be smaller in the second half year.

Although most of the first and second-tier cities with stable current property prices have implemented policy restrictions on property purchase and third and fourth-tier cities have slower housing demand growth, the management expects that, under the existing policies and market conditions, property prices are more likely to remain stable in general in the second half of the year given that macro-economy maintains a healthy growth and residents' income continues to increase in China. In addition, due to possible lower interest rates and the rigid demand and home improvement demand accumulated throughout the previous periods, the trading volume of properties in China is expected to remain stable in the second half of the year, with even a possible increase compared to that of the first half year. In the second half of the year, the Company intends to seek for more appropriate property consultancy and sales agency service projects in accordance with the nation's policy directions and with more consistency to the industry trends. The Company will proactively participate in the market and seek to identify more investment opportunities for property development so as to improve our future profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2012, the Group had unaudited net current assets of approximately RMB65.671 million (31 December 2011: approximately RMB60.763 million), unaudited total assets of approximately RMB77.959 million (31 December 2011: approximately RMB77.460 million) and unaudited shareholders' funds of approximately RMB58.812 million (31 December 2011: approximately RMB56.703 million). The current ratio increased from 8.14 as at 31 December 2011 to 15.34 as at 30 June 2012.

As at 30 June 2012, the unaudited bank and cash balances of the Group amounted to approximately RMB11.249 million (31 December 2011: approximately RMB13.204 million).

INDEBTEDNESS AND GEARING RATIO

The Group had a long term borrowing of RMB8.00 million as at 30 June 2012 (31 December 2011: RMB8.00 million) which will mature in December 2014 and is secured by the investment properties of the Group.

As at 30 June 2012, the Group's gearing ratio (calculated as total borrowings to total assets) had slightly dropped from 10.33% as at 31 December 2011 to 10.26% as at 30 June 2012.

PLEGGED ASSETS

As at 30 June 2012, the long term interest-bearing loan was secured by all the investment properties of the Group with carrying amount in total of approximately RMB3.850 million (31 December 2011: approximately RMB3.897 million).

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE EXPOSURE

As the Group's sales are predominantly denominated in Renminbi and its purchases and expenses are mainly denominated in Renminbi, and there is no significant foreign currency borrowings, 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 risk exposure and will consider to hedge significant currency risk exposure should the need arise.

INTEREST RATE EXPOSURE

The Group's exposure to interest rate risk mainly stemmed from fluctuations of borrowing rates for the Group's debts, which were mainly floating rates from financial institutions based on the benchmark interest rate for RMB loans of the same periods announced by the People's Bank of China. During the review period, the People's Bank of China lowered the benchmark interest rate for RMB loans from 6.65% as at the beginning of the period to 6.40% as at the end of the period. The Group currently does not have an interest rate hedging policy. However, the management continuously monitors the interest rate risk exposure and will consider to hedge significant interest rate risk exposure should the need arise.

STAFF

As at 30 June 2012, the Group had a total of 212 staff (31 December 2011: 243 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 2012, the interests and short positions of the Directors and chief executives of the Company in the 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%
	The Company	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%
	The Company	Beneficial owner (Note 5)	100,000 Ordinary Shares (L)	0.05% (Note 12)

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 *(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%
	The Company	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%
	The Company	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 EXECUTIVES' 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 Directors' long position in the shares ("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 evenly owned by Ms. Lin and her sister, Ms. Lin Shu Chi. 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 EXECUTIVES' 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 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 207,380,000 Shares of the Company in issue as at 30 June 2012, assuming that all the then outstanding options granted under the Pre-IPO Share Option Scheme and Share Option Scheme had been exercised as at that date.

Save as disclosed above, as at 30 June 2012, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or 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 2012, 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 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%
Lin Shu Chi	Interest of a controlled corporation (Note 3)	36,352,050 Ordinary Shares (L)	18.13%
Honorway Nominees Limited ("Honorway Nominees")	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%

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
Ms. Yvette Therese Ma	Interest of spouse (Note 5)	16,248,300 Ordinary Shares (L)	8.11%
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 evenly owned by Ms. Lin Shu Chi and Ms. Lin. Ms. Lin Shu Chi 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 Nominees, 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 Nominees was interested by virtue of the SFO.
5. Ms. Yvette Therese Ma was deemed to be interested in all the Shares in which Mr. Ho Hau Chong, Norman, her spouse, was interested by virtue of the SFO.
6. Ms. Sharon Young was deemed to be interested in all the Shares in which Mr. Ho Hau Hay, Hamilton, her spouse, 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. 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 deemed to be interested in all the Shares in which Ms. Hsieh, his spouse, was interested by virtue of the SFO.
9. Mr. Chen Chin Chuan was deemed to be interested in all the Shares in which Mrs. Chen Hsu Li-Mei, his spouse, was interested by virtue of the SFO.

Save as disclosed above, as at 30 June 2012, no person (other than a Director or chief executive of the Company), had registered an interest or short position in the Shares or underlying Shares of the Company that was recorded in the register required to be kept by the Company pursuant to Section 336 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 in the Company's outstanding share options granted under the Pre-IPO Share Option Scheme and Share Option Scheme of the Company for the six months ended 30 June 2012 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 2012	Granted during the period	Exercised during the period	Cancelled or lapsed during the period	Outstanding as at 30 June 2012			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 2012	Granted during the period	Exercised during the period	Cancelled or lapsed during the period	Outstanding as at 30 June 2012			Exercise price per share HK\$	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	-	-	(580,000)	810,000	10/06/2006	05/07/2007 to 04/07/2016	0.795	N/A
	975,000	-	-	(225,000)	750,000	12/03/2008	12/03/2009 to 11/03/2018	1.12	1.12
	975,000	-	-	(225,000)	750,000	12/03/2008	12/03/2010 to 11/03/2018	1.12	1.12
	3,340,000	-	-	(1,030,000)	2,310,000				
	7,940,000	-	-	(1,030,000)	6,910,000				

DISCLOSURE OF INTERESTS

SHARE OPTION SCHEMES *(Continued)*

For the six months ended 30 June 2012, 580,000 options and 450,000 options had lapsed under the Pre-IPO Share Option Scheme and the Share Option Scheme, respectively.

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 (i.e. 60,141,000 Shares as at the date of this report).

As at the date of this report, options granted under the Share Option Scheme to subscribe for 4,050,000 shares, representing approximately 2.02% 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 was accounted for as trade deposits and amounted to RMB17.50 million as of 30 June 2012 (31 December 2011: RMB20 million).

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 22.45% of the assets ratio as defined under Rule 14.07(1) of the Listing Rules as at 30 June 2012, 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, according to the joint investment agreement dated 27 August 2010 and entered into by the Group with the other existing shareholders of Hengda Jiangsu, the Group and these parties shall, pursuant to the joint investment agreement, severally provide to Hengda Jiangsu unsecured, non-interest bearing shareholders' loan for an aggregate sum of RMB669,875,050 (the "Shareholders' Loan"), out of which the Group has committed to provide RMB14,500,000 in total for the purposes of financing the acquisition and joint development of two pieces of land located in Yancheng City, Jiangsu Province, the PRC.

Reference is also made to the announcement of the Company dated 27 April 2012. By a supplemental agreement dated 27 April 2012 entered into between Shanghai Fortune Sun, 上海中邑投資管理諮詢有限公司 (Shanghai Zhongyi Investment Management Consultancy Co., Ltd.) and Hengda Jiangsu, Shanghai Fortune Sun agreed to pay an additional amount of the Shareholders' Loan in the sum of RMB4,177,139.05 in order to, among other purposes, make up the shortfall of the pro rata portion of the Shareholders' Loan to be contributed by Shanghai Fortune Sun.

OTHER INFORMATION

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

(ii) *(Continued)*

The Shareholders' Loan contributed by Shanghai Fortune Sun amounting in aggregate to RMB18,677,139.05 is unsecured, interest free and has no fixed terms of repayment. The Shareholders' Loan contributed by Shanghai Fortune Sun are accounted for as other receivable as of 30 June 2012 and 31 December 2011 respectively.

As the amount of the Shareholders' Loan contributed by Shanghai Fortune Sun represents approximately 23.96% of the assets ratio as defined under Rule 14.07(1) of the Listing Rules as at 30 June 2012, the Company's general disclosure obligation of certain particulars of the Shareholders' Loan as prescribed under Rule 13.15 arose.

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

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its corporate governance code during the six months ended 30 June 2012. Save for the deviation from code provision A.2.1 of the CG Code and code provisions A.1.8 and A.6.7 of the revised CG Code which came into effect on 1 April 2012, the Directors are not 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 CG Code during the six months ended 30 June 2012.

OTHER INFORMATION

CORPORATE GOVERNANCE *(Continued)*

Pursuant to code provision A.1.8 of the revised CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. The Company has not arranged such insurance cover for its Directors as of the six months ended 30 June 2012 as the management was of the opinion that sound and effective corporate governance within the Group would suffice in monitoring and mitigating legal and compliance risks. Nevertheless, in order to offer fuller protection to the Directors, the management is currently under discussions to arrange appropriate insurance cover for Directors in the future.

Pursuant to code provision A.2.1 of the CG Code, the responsibilities between the chairman and chief executive should be segregated and should not be performed by the same individual. For the period under review, the Company did not have a separate chairman and chief executive and Mr. Chiang Chen Feng performed these two roles. The Company deviated from code provision A.2.1 of the CG Code as the Board believes that vesting the roles of both chairman and chief executive in the same person has the benefit of ensuring consistent leadership within the Group. The Board also considers that such an arrangement would not impair the balance of power and authority within the Group, but enables the Company to make and implement decisions promptly and efficiently.

Pursuant to code provision A.6.7 of the revised CG Code, independent non-executive directors and non-executive directors should attend general meetings. Ms. Lin Chien Ju, a non-executive Director, and Mr. Ng Wai Hung, an independent non-executive Director, were unable to attend the annual general meeting of the Company held on 15 June 2012 due to family engagements.

During the period under review, the written terms of reference of each of the audit committee, remuneration committee and nomination committee of the Board had been revised with reference to the amendments to the CG Code which came into effect on 1 April 2012.

OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). 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 2012.

REVIEW OF ACCOUNTS

The Company has established an audit committee (the "Audit Committee") with written terms of reference pursuant to the requirements of the CG Code and Rule 3.21 of the Listing Rules. The Audit Committee comprises of all three existing independent non-executive Directors, namely Mr. Ng Wai Hung, Mr. Cui Shi Wei, and Dr. Cheng Chi Pang. Dr. Cheng Chi Pang is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 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 of Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as obtaining reports from the management. The Audit Committee has not undertaken detailed independent audit checks.

OTHER INFORMATION

REVIEW OF ACCOUNTS *(Continued)*

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 Group for the six months ended 30 June 2012 in accordance with certain procedures of 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 2012 were approved by the Board on 24 August 2012.

By order of the Board

Fortune Sun (China) Holdings Limited

Chiang Chen Feng

Chairman

Hong Kong, 24 August 2012