

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)

*Interim
Report
2014*



Stock Code: 352

CONTENTS

	Pages
CORPORATE INFORMATION	02
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS	04
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	05
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	06
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	07
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	08
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	09
MANAGEMENT DISCUSSION AND ANALYSIS	20
DISCLOSURE OF INTERESTS	27
OTHER INFORMATION	38



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

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Level 21
China Insurance Building
No. 166 Lujiazui East Road
Pudong New District
Shanghai 200120
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1115, 11th Floor
Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

CORPORATE INFORMATION

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY SECRETARY

Mr. Ip Siu Kay CPA, FCCA, ACA

COMPLIANCE OFFICER

Ms. Chang Hsiu Hua

AUTHORISED REPRESENTATIVES

Ms. Chang Hsiu Hua
Mr. Ip Siu Kay

AUDITOR

RSM Nelson Wheeler
Certified Public Accountants

HONG KONG LEGAL ADVISER

Chiu & Partners

PRINCIPAL BANKERS

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

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 2014 together with the comparative figures for 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Note	Six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Revenue	3	7,279	15,248
Cost of services rendered		(10,083)	(13,172)
Gross (loss)/profit		(2,804)	2,076
Other income		1,569	429
Operating and administrative expenses		(6,634)	(7,015)
Loss from operations		(7,869)	(4,510)
Finance cost – loan interest		(488)	(477)
Loss before tax		(8,357)	(4,987)
Income tax expense	4	–	–
Loss for the period attributable to owners of the Company	5	(8,357)	(4,987)
Loss per share	7	RMB cents	RMB cents
Basic		(4.2)	(2.5)
Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Loss for the period	(8,357)	(4,987)
Other comprehensive income:		
<i>Item that will be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(139)	(46)
Other comprehensive income for the period, net of tax	(139)	(46)
Total comprehensive income for the period attributable to owners of the Company	(8,496)	(5,033)



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014

	Note	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	8	1,084	1,319
Investment properties	9	3,662	3,708
Golf club membership		291	291
Available-for-sale financial assets		1,500	1,500
		6,537	6,818
Current assets			
Trade receivables	10	13,801	16,018
Trade deposits	11	13,707	13,207
Prepayments and other deposits		650	781
Other receivables	12	12,981	19,291
Bank and cash balances		13,986	14,682
		55,125	63,979
Current liabilities			
Accruals and other payables		3,825	4,464
Other Loan	13	8,000	8,000
		11,825	12,464
Net current assets			
		43,300	51,515
Total assets less current liabilities			
		49,837	58,333
Non-current liabilities			
Deferred tax liabilities		4,247	4,247
NET ASSETS			
		45,590	54,086
Capital and reserves			
Share capital	14	20,644	20,644
Reserves		24,946	33,442
TOTAL EQUITY			
		45,590	54,086

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Attributable to owners of the Company (Unaudited)							Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Reserve fund RMB'000	Share-based payment reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	
At 1 January 2013	20,644	40,433	14,554	16,621	3,736	(2,433)	(37,676)	55,879
Total comprehensive income for the period	-	-	-	-	-	(46)	(4,987)	(5,033)
Changes in equity for the period	-	-	-	-	-	(46)	(4,987)	(5,033)
At 30 June 2013	20,644	40,433	14,554	16,621	3,736	(2,479)	(42,663)	50,846
At 1 January 2014	20,644	40,433	14,554	16,621	3,736	(2,443)	(39,459)	54,086
Total comprehensive income for the period	-	-	-	-	-	(139)	(8,357)	(8,496)
Changes in equity for the period	-	-	-	-	-	(139)	(8,357)	(8,496)
At 30 June 2014	20,644	40,433	14,554	16,621	3,736	(2,582)	(47,816)	45,590



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(325)	(1,346)
NET CASH GENERATED FROM INVESTING ACTIVITIES	256	171
NET CASH USED IN FINANCING ACTIVITIES	(488)	(246)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(139)	(46)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(696)	(1,467)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14,682	13,833
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY	13,986	12,366
Bank and cash balances	13,986	12,366

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

1. BASIS OF PREPARATION

These condensed consolidated interim 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 interim financial statements should be read in conjunction with the 2013 annual consolidated financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2013.

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 2014. 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, 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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

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	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Comprehensive property consultancy and sales agency service projects	6,522	14,511
Pure property planning and consultancy service projects	757	737
	7,279	15,248

The Group has carried on a single business in a single geographical segment, which is the provision of agency services for the sales of properties and property consultancy services in the PRC, and all the assets are substantially located in the PRC. Accordingly, there is only one single reportable segment of the Group which is regularly reviewed by the chief operating decision maker.

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 2013.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

4. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax is required since the Company has no assessable profit for the period under review and the corresponding period last year.

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.

No PRC enterprise income tax has been made in both periods as the relevant group entities either incurred a loss or have sufficient tax losses brought forward to set off against current year's assessable profit for both periods.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

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	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Auditor's remuneration	158	161
Interest income	(288)	(171)
Depreciation of property, plant and equipment	260	438
Depreciation of investment properties	46	47
Directors' remuneration	1,131	1,173
Exchange loss, net	5	17
Loss on disposals of property, plant and equipment	6	11
Operating lease charges on land and buildings	1,534	1,399
(Reversal of allowance)/allowance for		
– Trade receivables (*)	(338)	848
– Trade deposits (*)	(864)	24
	(1,202)	872
Staff costs (including directors' remuneration)		
– Fees, salaries, bonus and allowances	5,872	6,339
– Retirement benefits scheme contributions	1,006	946
	6,878	7,285

(*) Due to improvement of some project developers' ability to pay during the period under review, there was an improvement of the cash collection from some long aged projects. As a result, allowances made in prior years against trade receivables and trade deposits of approximately RMB338,000 and RMB864,000 were reversed respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

6. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the period under review (six months ended 30 June 2013: Nil).

7. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately RMB8,357,000 (six months ended 30 June 2013: loss of RMB4,987,000) and the weighted average number of ordinary shares of 200,470,000 (six months ended 30 June 2013: 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 shares during the two periods ended 30 June 2014 and 2013.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired property, plant and equipment of approximately RMB32,000 (six months ended 30 June 2013: Nil) and disposed of property, plant and equipment with carrying amount of approximately RMB7,000 (six months ended 30 June 2013: RMB121,000).



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

9. INVESTMENT PROPERTIES

All investment properties are located in the PRC. During the period under review, the Group had no addition or disposal of investment properties (six months ended 30 June 2013: 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 2014. The Board intends to hold those properties to earn rentals and/or for capital appreciation.

As at 30 June 2014, all the investment properties had been pledged as security for the Group's other loan amounting to RMB8,000,000 (31 December 2013: RMB8,000,000) disclosed in note 13 to the condensed consolidated interim financial statements.

10. TRADE RECEIVABLES

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Trade receivables	17,171	19,726
Less: Allowance for trade receivables	(3,370)	(3,708)
	13,801	16,018

Allowance for trade receivables is made after the directors have considered the timing and probability of collection.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

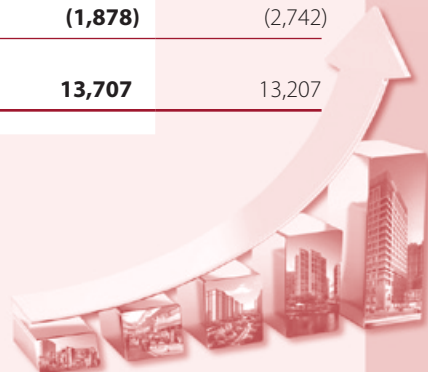
10. TRADE RECEIVABLES (Continued)

The average credit period granted to trade customers is 90 days. The ageing analysis of the Group's trade receivables, based on the billing summary, and net of allowance for trade receivables is as follows:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
0 to 90 days	2,901	6,696
91 to 180 days	2,994	3,181
181 to 365 days	3,024	3,562
Over 1 year and up to 2 years	3,219	860
Over 2 years	1,663	1,719
	13,801	16,018

11. TRADE DEPOSITS

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Trade deposits	15,585	15,949
Less: Allowance for trade deposits	(1,878)	(2,742)
	13,707	13,207



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

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.

Allowance for trade deposits is made after the directors have considered the timing of the collection.

These trade deposits are refundable when the prescribed terms in the underlying agency contracts are achieved. The ageing analysis of the Group's trade deposits, based on the payment date, and net of allowance for trade deposits is as follows:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
0 to 90 days	32	43
91 to 180 days	896	14
181 to 365 days	77	85
Over 1 year and up to 2 years	607	1,359
Over 2 years and up to 3 years	110	–
Over 3 years	11,985	11,706
	13,707	13,207

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

12. OTHER RECEIVABLES

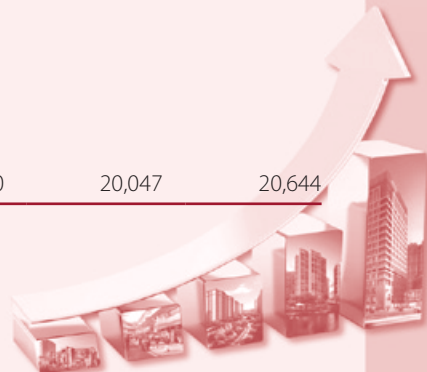
Included in other receivables is a shareholder's loan to Shanghai Hengda Group (Jiangsu) Investment Co., Ltd. of approximately RMB12,362,000 (31 December 2013: RMB18,677,000). This shareholder's loan is unsecured, interest-free and has no fixed terms of repayment.

13. OTHER LOAN

At 30 June 2014 and 31 December 2013, 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.

14. SHARE CAPITAL

	Number of ordinary shares '000	Nominal value	
		HK\$'000	RMB'000
Authorised:			
Ordinary shares of HK\$0.1 each			
At 30 June 2014 (Unaudited)			
and 31 December 2013			
(Audited)	2,000,000	200,000	206,000
Issued and fully paid:			
Ordinary shares of HK\$0.1 each			
At 30 June 2014 (Unaudited)			
and 31 December 2013			
(Audited)	200,470	20,047	20,644



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

15. COMMITMENTS

(i) Operating lease commitments

As at 30 June 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within one year	2,491	2,555
In the second to fifth years inclusive	688	905
	3,179	3,460

(ii) Other commitment

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Contracted but not provided for: Legal and professional fee	500	–

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

16. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Fees	296	281
Basic salaries and other allowances	795	857
Retirement benefits scheme contributions	40	35
Total compensation paid to key management personnel	1,131	1,173

17. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2014 (31 December 2013: Nil).

18. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved and authorised for issue by the Board of Directors on 25 August 2014.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2014, the operating environment in the property sector in China remained harsh. The Chinese government continued to impose restrictions on property purchases and mortgage loans as adopted in the previous year, further hampering the market demand for real estate properties. At the same time, the difficulties in obtaining financing for property developers in China such as tightened bank loans caused financial strains within the sector. As a result, the market witnessed delays in completion and opening for sales of some property projects, as well as price cuts by certain property developers to avoid stocking-up of inventory and unsustainable cash flow. In addition to the unfavorable property market situation in second and third-tier cities, the average property prices in first-tier cities have also recorded month-on-month drops in the first half of 2014. According to statistics from the National Bureau of Statistics of the PRC, the area sold and sales amount of commercial properties for the first half of the year decreased by 6.0% and 6.7% respectively as compared to the corresponding period last year. The prices of primary and second-hand residential properties of over half of the 70 major cities were still declining.

Due to sustained downturn of the property industry, weaker residential property sales and postponement of property sales by certain small and medium sized developers, the Group's primary property sales agency business has been severely affected with a drop in total gross floor area sold during the first half of the year. Meanwhile, the average sales agency commission rates continued to drop amid ongoing intense market competition. For the six months ended 30 June 2014, the Group recorded an unaudited revenue of approximately RMB7,279,000, representing a decrease of approximately 52.3% as compared to the unaudited revenue of approximately RMB15,248,000 for the corresponding period of last year. Despite a decrease in overall cost of services, the Group suffered a gross loss of approximately RMB2,804,000 during the period under review as compared to the gross profit of approximately RMB2,076,000 of the corresponding period of last year, as sales staff costs and marketing expenses had not declined proportionately. The overall operating and administrative expenses remained at a similar level as that of last year. The loss for the period under review attributable to owners of the Company increased to RMB8,357,000 from the loss of RMB4,987,000 for the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

During the period under review, most of the Group's recorded revenue was generated from projects in Hubei Province, followed by Jiangxi Province and Zhejiang Province, which represented approximately 25.6%, 23.1% and 20.9% of the Group's total revenue respectively. On a comparative basis, in the first half of 2013, the Group's recorded revenue was mainly generated from projects in Hubei Province, followed by Jiangsu Province and Jiangxi Province, which represented approximately 62.7%, 14.2% and 12.0% of total revenue, respectively.

COMPREHENSIVE PROPERTY CONSULTANCY AND SALES AGENCY BUSINESS

The Group principally provides comprehensive property consultancy and sales agency services to the primary residential and commercial property markets in China. During the six months ended 30 June 2014, the Group managed 20 operating projects (for the six months ended 30 June 2013: 15 projects) in total, 15 of which were comprehensive property consultancy and sales agency service projects (for the six months ended 30 June 2013: 12 projects). The total gross floor area of the underlying properties sold by the Group acting as the agent for the comprehensive property consultancy and sales agency service projects were approximately 97,000 square metres (for the six months ended 30 June 2013: 145,000 square metres).

The unaudited total revenue from such comprehensive property consultancy and sales agency service projects were approximately RMB6,522,000 (for the six months ended 30 June 2013: approximately RMB14,511,000), representing approximately 89.6% of the unaudited total revenue of the Group during the period under review (for the six months ended 30 June 2013: 95.2%).

As at 30 June 2014, the Group had 23 comprehensive property consultancy and sales agency service projects on hand (30 June 2013: 27 projects) with total unsold gross floor area of approximately 2,623,000 square metres (30 June 2013: approximately 2,505,000 square metres). As at 30 June 2014, among the 23 projects, sales of the underlying properties of 8 projects had not commenced.



MANAGEMENT DISCUSSION AND ANALYSIS

PURE PROPERTY PLANNING AND CONSULTANCY BUSINESS

From January to June of 2014, the area of new housing construction in China decreased by about 16.4% year-on-year, of which the area of new residential housing construction decreased by 19.8% and the area of land purchased by real estate development enterprises decreased by 5.8% year-on-year. During the period under review, the Group strived for the sustainable development of its pure property planning and consultancy business, with a majority of revenue generated from Shanghai, representing approximately 9.9% of the revenue for the first half of the year. For the six months ended 30 June 2014, the Group provided property planning and consultancy business services for five (for the six months ended 30 June 2013: three) revenue generating property development projects, and recorded an aggregate revenue of approximately RMB757,000 (for the six months ended 30 June 2013: approximately RMB737,000) in pure property planning and consultancy, representing approximately 10.4% of the unaudited total revenue of the Group (for the six months ended 30 June 2013: approximately 4.8%).

PROSPECTS AND OUTLOOK

As overall property transaction volume and price continued to fall and the macro environment remained sluggish, it is expected that the Chinese government will adopt property policies to stabilise the property market. Although direct intervention with stringent property policies are not likely to emerge, there might be fine-tuning of various property policies in different cities according to the actual local situations. With a continuous downturn in the property market, fine-tuning policies have been implemented in certain second and third-tier cities since the second quarter. For example, Hohhot has become the first city to completely withdraw its property purchase restrictions in late June. In addition, as at the end of July 2014, over 30 cities in China have partially relaxed their restrictions on property market, including relaxation of restrictions on property purchasing, providing discounts on mortgage loans etc. However, as currently the property market sentiment remains cautious, such relaxation in or fine-tuning of property policies are not likely to bring instant material changes to the local property markets. In first-tier cities, strong economic development and population growth are likely to continue to drive up demand for properties, and sustained stringent restrictions from the central government are expected in such cities.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS AND OUTLOOK *(Continued)*

Looking into the second half of 2014, the expected fall in property prices and the continuing easing policies in place are likely to bring recoveries in sales of properties in certain cities. As the restriction policies in property purchases are being fine-tuned in Hubei Province, which is a major source of agency income for the Group in the first half of the year, and property prices in Hubei Province have also been relatively lowered, the Group will seek to further expand its market share in Hubei Province. In certain cities of Jiangsu Province with a relatively favorable market environment, such as Yancheng, the Group will seek to further develop its market presence. Although Shanghai is still subject to stringent restrictions from the state, the high market demand and maturity of the Shanghai property market signify that it has remained the current core of our business development. In addition to broadening sources of income, the Group will also strive to cut operating expenses by strengthening budget management and cost control, as well as to strictly control its cash flow, to seek improvements in operating performance during the second half of the year. The Group will also continue to encourage employees to proactively identify new project opportunities externally, so as to pursue long-term development for the Group and its employees as a whole.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, the Group had unaudited net current assets of approximately RMB43.3 million (31 December 2013: approximately RMB51.5 million), unaudited total assets of approximately RMB61.7 million (31 December 2013: approximately RMB70.8 million) and unaudited shareholders' funds of approximately RMB45.6 million (31 December 2013: approximately RMB54.1 million). The current ratio (calculated by dividing total current assets with total current liabilities) decreased from 5.13 as at 31 December 2013 to 4.66 as at 30 June 2014.

As at 30 June 2014, the unaudited bank and cash balances of the Group amounted to approximately RMB14.0 million (31 December 2013: approximately RMB14.7 million).



MANAGEMENT DISCUSSION AND ANALYSIS

INDEBTEDNESS AND CHARGE ON ASSETS

The Group did not have any long term borrowing as at 30 June 2014 (31 December 2013: Nil) and had a short term borrowing of RMB8.0 million (31 December 2013: RMB8.0 million). The short term borrowing is interest-bearing at floating rates and will mature in December 2014 and is secured by the investment properties of the Group with carrying amount of approximately RMB3.7 million as at 30 June 2014 (31 December 2013: approximately RMB3.7 million).

The Group had no bank borrowings or overdrafts as at 30 June 2014 (31 December 2013: Nil).

As at 30 June 2014, the Group's gearing ratio (calculated on the basis of total borrowings over total equity) had slightly increased from 14.79% as at 31 December 2013 to 17.55% as at 30 June 2014, which was mainly due to the decrease in total equity resulted from the loss generated from operating activities during the period under review.

FOREIGN EXCHANGE RISKS

As the Group's sales, purchases and expenses are either denominated in Renminbi or Hong Kong dollar, and as there is no significant foreign currency borrowings, the Group's currency fluctuation risk is considered insignificant. The Group currently does not have a foreign currency hedging policy. However, the management continuously monitors the Group's foreign exchange risk exposure and will consider to hedge significant currency risk exposure should the need arise.

MANAGEMENT DISCUSSION AND ANALYSIS

INTEREST RATE RISKS

The borrowing rates of the Group were mainly floating rates based on the benchmark interest rate for RMB loans of the same periods from financial institutions announced by the People's Bank of China. During the six months ended 30 June 2014, the People's Bank of China kept the benchmark interest rate for three-year RMB loans unchanged at 6.15% per annum. The Group's exposure to interest rate risk mainly stemmed from fluctuations of borrowing rates for the Group's debts. Interest rate hikes will increase the cost of borrowings of the Group. The Group currently does not have an interest rate hedging policy. However, the management continuously monitors the interest rate risks posed to the Group and will consider hedging significant interest rate risks should the need arise.

MAJOR INVESTMENTS

For the six months ended 30 June 2014, save for the Group's 3% equity interest in Shanghai Hengda Group (Jiangsu) Investment Co., Ltd. (上海恒大集團(江蘇)投資有限公司) ("Hengda Jiangsu") and the investment properties held by the Group as set out in note 9 to the condensed consolidated interim financial statements, no other significant investment was held by the Group. As at the date of this interim report, save for the continuing investment in Hengda Jiangsu and the investment properties held by the Group, the Group has no future plans for material investments or capital assets.



MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2014 (31 December 2013: Nil).

CAPITAL AND OTHER COMMITMENTS

The Group had no material capital commitments as at 30 June 2014 (31 December 2013: Nil). The details to other commitments are provided in note 15 to the interim condensed consolidated financial statements on page 18 of this interim report.

STAFF AND EMOLUMENT POLICY

As at 30 June 2014, the Group had a total of 204 staff (31 December 2013: 226 staff).

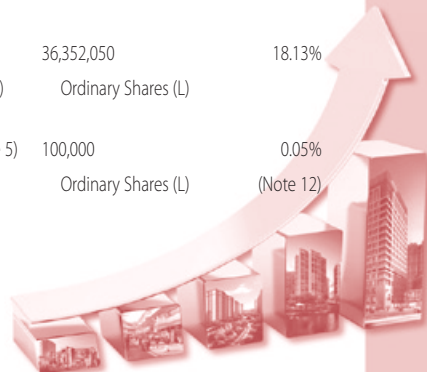
The emolument policies of the Group are formulated based on the Group's operating results, individual performance, working experience and responsibility, merit, qualifications and competence of individual employees, comparable market statistics and state policies, which are reviewed regularly.

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 2014, the interests and short positions of the Directors and chief executive 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 of Hong Kong Limited (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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of Directors	Company/Name of associated corporation	Capacity	Number and class of securities (Note 1)	Approximate percentage of 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)*

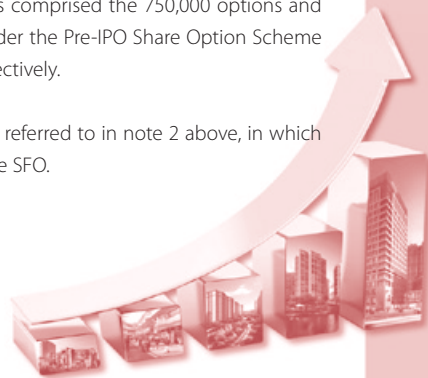
Name of Directors	Company/Name of associated corporation	Capacity	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Han Lin ("Mr. Han")	The Company	Beneficial owner	7,051,801 Ordinary Shares (L)	3.52%
		Beneficial owner (Note 6)	2,700,000 Ordinary Shares (L)	1.30% (Note 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 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 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 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 2014, 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 2014, none of the Directors or chief executive 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 2014, 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 percentage of 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%
Ms. 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 percentage of 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, a non-executive Director. 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.
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.



DISCLOSURE OF INTERESTS

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

Notes: *(Continued)*

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 2014, 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.

SHARE OPTION SCHEMES

A pre-IPO share option scheme ("Pre-IPO Share Option Scheme") was adopted pursuant to the written resolutions 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 resolutions 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 share 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, shareholders of the Group 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 for the six months ended 30 June 2014 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 2014	Granted during the period	Exercised during the period	Cancelled or lapsed during the period	Outstanding as at 30 June 2014			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)

Number of shares in respect of share options

Category of participant	Outstanding as at 1 January 2014	Granted during the period	Exercised during the period	Cancelled or lapsed during the period	Outstanding as at 30 June 2014	Date of grant	Exercise period	Exercise price	Closing price of the Shares on the trading day immediately before the date of grant
								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	810,000	-	-	-	810,000	10/06/2006	05/07/2007 to 04/07/2016	0.795	N/A
	750,000	-	-	-	750,000	12/03/2008	12/03/2009 to 11/03/2018	1.12	1.12
	750,000	-	-	-	750,000	12/03/2008	12/03/2010 to 11/03/2018	1.12	1.12
	2,310,000	-	-	-	2,310,000				
	6,910,000	-	-	-	6,910,000				

DISCLOSURE OF INTERESTS

SHARE OPTION SCHEMES *(Continued)*

The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group (including the Pre-IPO Share Option Scheme) must not in aggregate exceed 30% of the Shares in issue from time to time (i.e. 60,141,000 Shares as at the date of this report) (the "Overriding Limit"). No further options may be granted under the Share Option Scheme if this will result in the Overriding Limit being exceeded.

As at the date of this report, options granted under the Share Option Scheme to subscribe for 4,050,000 Shares, and options granted under the Pre-IPO Share Option Scheme to subscribe for 2,860,000 Shares, representing approximately 2.02% and 1.43% of the issued share capital of the Company at the date respectively, remained outstanding.



OTHER INFORMATION

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

(i) Advance of Security Deposit

Reference is made 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") of RMB20 million by Shanghai Fu Yang Property Consultant Co., Limited (上海富陽物業諮詢有限公司) ("Shanghai Fortune Sun"), a wholly-owned subsidiary of the Company, to an independent customer to secure the performance of its sales agency obligations in a real estate project in Shanghai (the "Subject Project") under certain agency agreements. Shanghai Ke Shang Property Consultant Company Limited (上海可上房產諮詢有限公司) (the "Former Investment Partner"), an independent third party of the Group, had fully underwritten the sale of properties under the Subject Project and assumed the repayment obligations in respect of the Security Deposit to Shanghai Fortune Sun. The Security Deposit is interest free, and the Former Investment Partner agreed to refund the Security Deposit to Shanghai Fortune Sun by 23 May 2010.

Subsequently, pursuant to an underwriting agency agreement and an underwriting settlement agreement entered into between the Former 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 Former Investment Partner exercised its right to purchase certain unsold units of the Subject Project (the "Unsold Units"), the purchase price of which was paid by 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 Former Investment Partner and an independent third party of the Group, so as to discharge the obligations of the Former Investment Partner 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 was entered into between Shanghai Zhilian, the Former Investment Partner and Shanghai Fortune Sun on 24 February 2010, pursuant to which Shanghai Zhilian appointed Shanghai Fortune Sun as the sales and consultancy agent in respect of the Unsold Units for a term of 12 months, and Shanghai Zhilian assumed all the warranties, undertakings and repayment obligations of the Former Investment Partner to Shanghai Fortune Sun in relation to the Subject Project, including the repayment obligation of the Former Investment Partner to Shanghai Fortune Sun in respect of the Security Deposit. Shanghai Zhilian 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.

OTHER INFORMATION

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES (Continued)

(i) Advance of Security Deposit (Continued)

The Security Deposit was accounted for as trade deposits and amounted to RMB12.43 million as of 30 June 2014 (31 December 2013: RMB12.68 million) and is secured by one of the Unsold Units of the Subject Project.

As the amount of the Security Deposit represented approximately 20.16% of the assets ratio as defined under Rule 14.07(1) of the Listing Rules as at 30 June 2014, the Company's general disclosure obligation of certain particulars of the Security Deposit as prescribed under Rule 13.20 of the Listing Rules arose.

(ii) Advance of Shareholders' Loan

Reference is made to the announcement of the Company dated 27 August 2010 in relation to the acquisition of 3% interest in the entire registered capital of Hengda Jiangsu, a limited liability company established in the PRC on 9 July 2010 with fully paid up registered capital of RMB50,000,000. On 27 August 2010, a joint investment agreement ("Joint Investment Agreement") was entered into by the Group with the then shareholders of Hengda Jiangsu. Pursuant to the Joint Investment Agreement, the Group and the parties thereto shall severally provide to Hengda Jiangsu unsecured, non-interest bearing shareholders' loan of 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. Pursuant to a supplemental agreement dated 27 April 2012 entered into between Shanghai Fortune Sun, Shanghai Zhongyi Investment Management Consultancy Co., Ltd. (上海中邑投資管理諮詢有限公司) and Hengda Jiangsu, Shanghai Fortune Sun agreed to pay an additional amount of the Shareholders' Loan in the sum of RMB4,177,139 to Hengda Jiangsu on the basis of, among others, the pro rata shareholding interests of Shanghai Fortune Sun in Hengda Jiangsu.



OTHER INFORMATION

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

(Continued)

(ii) Advance of Shareholders' Loan *(Continued)*

As at 30 June 2014, the Shareholders' Loan contributed by Shanghai Fortune Sun amounting to RMB12,361,693 (31 December 2013: RMB18,677,139) in aggregate is unsecured, interest free and has no fixed terms of repayment. The Shareholders' Loan is accounted for as other receivable as of 30 June 2014 and 31 December 2013 respectively.

As the amount of the Shareholders' Loan represents approximately 20.05% of the assets ratio as defined under Rule 14.07(1) of the Listing Rules as at 30 June 2014, the Company's general disclosure obligation of certain particulars of the Shareholders' Loan as prescribed under Rule 13.20 of the Listing Rules arose.

DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Mr. Ng Wai Hung, an independent non-executive Director of the Company, has been appointed as an independent non-executive director of On Time Logistics Holdings Limited (stock code: 06123), a company listed on the Stock Exchange, on 20 June 2014.

PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the six months ended 30 June 2014.

OTHER INFORMATION

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the printing of this report, the Company has maintained a sufficient public float as required under the Listing Rules.

CORPORATE GOVERNANCE

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. Save for the deviation from code provision A.2.1 of the CG Code as disclosed below, the Directors consider that the Company has complied with the code provisions set out in the CG Code during the six months ended 30 June 2014.

Pursuant to code provision A.2.1 of the CG Code, the roles of the chairman and chief executive should be separate 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, with Mr. Chiang Chen Feng performing these two roles. The Board believes that vesting both the roles of chairman and chief executive 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 such structure will enable the Company to make and implement decisions promptly and efficiently.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standards set out in the Model Code and the Company's code of conduct during the six months ended 30 June 2014. The interests held or deemed to be held by individual Directors in the Company's securities as at 30 June 2014 are set out on pages 27 to 30 of this report.



OTHER INFORMATION

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 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 2014 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 selected procedures based on those required under 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.

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 2014 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 2014 were approved by the Board on 25 August 2014.

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

Hong Kong, 25 August 2014