Interim Report 2018

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Non-executive Director
Ms. Lin Chien Ju

Independent Non-executive Directors
Mr. Cheng Chi Pang
Mr. Lam Chun Choi
Mr. Cui Shi Wei

EXECUTIVE COMMITTEE

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

AUDIT COMMITTEE

Mr. Cheng Chi Pang *(Chairman)*
Mr. Lam Chun Choi
Mr. Cui Shi Wei

REMUNERATION COMMITTEE

Mr. Cui Shi Wei *(Chairman)*
Mr. Cheng Chi Pang
Mr. Lam Chun Choi

NOMINATION COMMITTEE

Mr. Chiang Chen Feng *(Chairman)*
Mr. Cheng Chi Pang
Mr. Lam Chun Choi

REGISTERED OFFICE

P.O. Box 10008
Willow House
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Unit 901, 9th Floor
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Pudong New District
Shanghai 200122
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

CORPORATE INFORMATION

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited
P.O. Box 10008
Willow House
Cricket Square
Grand Cayman KY1-1001
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. Lui Cheuk Wah

COMPLIANCE OFFICER

Ms. Chang Hsiu Hua

AUTHORISED REPRESENTATIVES

Ms. Chang Hsiu Hua
Mr. Lui Cheuk Wah

AUDITOR

BDO Limited
Certified Public Accountants

HONG KONG LEGAL ADVISER

Chiu & Partners

PRINCIPAL BANKERS

PRC
China Minsheng Banking Corporation Limited

HONG KONG
OCBC Wing Hang Bank Limited
Bank of Communications Co., Ltd. Hong Kong Branch

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 2018 (the "period under review" or the "period") together with the comparative figures for 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended 30 June	
	Note	**2018 RMB'000 (Unaudited)**	2017 RMB'000 (Unaudited)
Revenue	4	**14,904**	14,570
Cost of services rendered		**(11,577)**	(12,465)
Gross profit		**3,327**	2,105
Investment income and other gains and losses		**797**	893
Operating and administrative expenses		**(6,681)**	(8,652)
Loss before tax		**(2,557)**	(5,654)
Income tax expense	5	**—**	—
Loss for the period	6	**(2,557)**	(5,654)
Attributable to			
Owners of the Company		**(3,665)**	(5,654)
Non-controlling interests		**1,108**	—
		(2,557)	(5,654)
Loss per share	8	**RMB cents**	RMB cents
Basic		**(1.5)**	(2.3)
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss for the period	**(2,557)**	(5,654)
Other comprehensive income:		
Items that will be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**43**	(63)
Other comprehensive income for the period, net of tax	**43**	(63)
Total comprehensive income for the period	**(2,514)**	(5,717)
Attributable to		
Owners of the Company	**(3,622)**	(5,717)
Non-controlling interests	**1,108**	—
	(2,514)	(5,717)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	Note	**30 June 2018 RMB'000 (Unaudited)**	31 December 2017 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**1,509**	821
Investment properties	10	**3,287**	3,334
Golf club membership		**291**	291
Deposits for non-current assets		**—**	533
		5,087	4,979
Current assets			
Trade receivables	11	**20,800**	16,659
Trade deposits	12	**500**	500
Prepayments and other deposits		**1,187**	1,003
Other receivables		**1,736**	943
Bank deposits		**25,190**	26,950
Bank and cash balances		**15,784**	12,495
		65,197	58,550
Current liabilities			
Accruals and other payables		**12,335**	8,766
Net current assets		**52,862**	49,784
NET ASSETS		**57,949**	54,763
Capital and reserves			
Share capital	13	**24,394**	24,276
Reserves		**28,667**	30,487
Equity attributable to owners of the Company		**53,061**	54,763
Non-controlling interests		**4,888**	—
TOTAL EQUITY		**57,949**	54,763

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Attributable to owners of the Company									
	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	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017 (Audited)	24,276	67,674	14,554	16,621	1,436	(1,853)	(55,107)	67,601	–	67,601
Total comprehensive income for the period	–	–	–	–	1,973	(63)	(5,654)	(3,747)	–	(3,744)
Changes in equity for the period	–	–	–	–	1,973	(63)	(5,654)	(3,744)	–	(3,744)
At 30 June 2017 (Unaudited)	24,276	67,674	14,554	16,621	3,409	(1,916)	(60,761)	63,852	–	63,857
At 1 January 2018 (Audited)	**24,276**	**67,674**	**14,554**	**16,621**	**5,403**	**(2,075)**	**(71,690)**	**54,763**	**–**	**54,763**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**43**	**(3,665)**	**(3,622)**	**1,108**	**(2,514)**
Equity-settled share-based payments	**–**	**–**	**–**	**–**	**510**	**–**	**–**	**510**	**–**	**510**
Injection from Non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,780**	**3,780**
Exercise of share options	**118**	**1,945**	**–**	**–**	**(653)**	**–**	**–**	**1,410**	**–**	**1,410**
Lapsed of share options	**–**	**–**	**–**	**–**	**(44)**	**–**	**44**	**–**	**–**	**–**
Expired of share options	**–**	**–**	**–**	**–**	**(1,375)**	**–**	**1,375**	**–**	**–**	**–**
Changes in equity for the period	**118**	**1,945**	**–**	**–**	**(1,562)**	**43**	**(2,246)**	**(1,702)**	**4,888**	**3,186**
At 30 June 2018 (Unaudited)	**24,394**	**69,619**	**14,554**	**16,621**	**3,841**	**(2,032)**	**(73,936)**	**53,061**	**4,888**	**57,949**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(3,613)**	(2,471)
NET CASH GENERATED FROM INVESTING ACTIVITIES	**1,669**	2,030
NET CASH GENERATED FROM FINANCING ACTIVITIES	**5,190**	—
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**43**	(63)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**3,289**	(504)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**12,495**	51,442
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY	**15,784**	50,938
Bank and cash balances	**15,784**	50,938

1. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated interim financial statements should be read in conjunction with the 2017 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 2017 except as stated below.

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 2018. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); HKAS; and its Interpretations. The adoption of these new and revised HKFRSs did not have any significant effect on the condensed consolidated interim financial statements.

3. CHANGES IN HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 9, Financial Instruments
- HKFRS 15, Revenue from Contracts with Customers
- HK(IFRIC)-Interpretation 22, Foreign Currency Transactions and Advance Considerations
- Amendments to HKFRS 2, Classification and Measurement of Share-based Payment Transactions
- Amendments to HKFRS 4, Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
- Amendments to HKAS 28 included in Annual Improvements to HKFRSs 2014–2016 Cycle, Investments in Associates and Joint Ventures
- Amendments to HKAS 40, Transfers of Investment Property
- Amendments to HKFRS 1 included in Annual Improvements to HKFRSs 2014–2016 Cycle, First-time Adoption of Hong Kong Financial Reporting Standards

The impact of the adoption of HKFRS 9 Financial Instruments (see note 3A below) and HKFRS 15 Revenue from Contracts with Customers (see note 3B below) have been summarised below.

The other new or amended HKFRSs that are effective from 1 January 2018 did not have any material impact on the group's accounting policies.

A. HKFRS 9 Financial Instruments ("HKFRS 9")

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the condensed consolidated interim financial statements.

3. CHANGES IN HKFRSs *(Continued)*

A. HKFRS 9 Financial Instruments (*Continued*)

(i) Classification and measurement of financial instruments (Continued)

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

3. CHANGES IN HKFRSs *(Continued)*

A. HKFRS 9 Financial Instruments *(Continued)*

(i) Classification and measurement of financial instruments (Continued)

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

3. CHANGES IN HKFRSs *(Continued)*

A. HKFRS 9 Financial Instruments *(Continued)*

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognise ECL for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3. CHANGES IN HKFRSs *(Continued)*

A. HKFRS 9 Financial Instruments *(Continued)*

(ii) Impairment of financial assets (Continued)

Measurement of ECLs (Continued)

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

3. CHANGES IN HKFRSs *(Continued)*

A. HKFRS 9 Financial Instruments *(Continued)*

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessment has been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9:

- The determination of the business model within which a financial asset is held.

3. CHANGES IN HKFRSs *(Continued)*

B. HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Impact of HKFRS 15

Revenue from comprehensive property consultancy and sales agency services projects is recognised at a point in time when the service is rendered and the property buyer has executed the sales and purchase agreement and made the required down-payment according to the terms and conditions stated in different agency contracts, since only by that time the Group has a present right to payment from the property developers for the services performed. The Group's commission rate receivable is variable based on a pre-agreed sales target. Prior to the Group's sales met the agreed sales target, the Group will recognise revenue based on a lower commission rate. Until when the sales target is met, the Group will recognise the revenue at the higher commission rate on the current property unit sold.

3. CHANGES IN HKFRSs *(Continued)*

B. HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") *(Continued)*

Impact of HKFRS 15 (Continued)

For the comprehensive property consultancy and sales agency service projects, although such services includes certain promotional and marketing activities (including formulating and executing marketing and sales strategies) to facilitate the sales transaction of first-hand property units for the property developers, the respective service fee was included in the pre-determined commission rate of the transaction price of each property unit sold. Therefore, the management of the Group assessed that the promotional and marketing services were not distinct and account for all the services performed as a single performance obligation. In addition, the management of the Group has assessed that the Group has a present right to payment from property developers for the service performed and when the property buyer has executed the sales and purchase agreement and made the required down-payment. Therefore, the management of the Group has satisfied that the performance obligation in respective of the comprehensive property consultancy and sales agency service projects in the primary market income is satisfied at a point in time. In addition, few property developer customers may settle a minor portion of the amounts due for a period of more than 1 year. However, the management of the Group has considered that the amount of consideration, the cash price of the property agency services and the prevailing interest rate in the property markets in the People's Republic of China ("PRC"), and have satisfied that the financing component is not significant at contract level.

Revenue from pure property planning and consultancy service projects is recognised at a point over time when the service is rendered by the Group reach the relevant stages as specified in the contracts and by that time the Group has a present right to payment for the services performed.

The new or amended HKFRSs that are effective from 1 January 2018 did not have any material impact on the group's accounting policies.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in providing property consultancy and sales agency services for the property markets in the PRC and Southeast Asia, 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	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Comprehensive property consultancy and sales agency service projects, recognised at a point in time	**14,338**	13,655
Pure property planning and consultancy service projects, recognised at a point over time	**566**	915
	14,904	14,570

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

The Group carried on a single business which is the provision of agency services for the sale of properties and property consultancy services, with the majority of business 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 2017.

5. 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.

No PRC enterprise income tax has been made in both periods as the relevant group entities incurred a loss for both periods.

No provision for Tax on Profit in the subsidiary of the Company in Cambodia has been made as the subsidiary incurred a loss for both periods.

Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

6. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Auditor's remuneration	**123**	132
Interest income	**(206)**	(445)
Depreciation of property, plant and equipment	**131**	313
Depreciation of investment properties	**47**	47
Exchange (gain)/loss, net	**(102)**	466
Loss on disposals of property, plant and equipment	**11**	23
Operating lease charges on land and buildings	**1,778**	2,032
Reversal of allowance for		
— Trade receivables	**—**	(346)
— Trade deposits (*)	**(500)**	—

(*) 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 deposits of approximately RMB500,000 was reversed.

7. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the period under review (six months ended 30 June 2017: Nil).

8. 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 RMB3,665,000 (six months ended 30 June 2017: loss of RMB5,654,000) and the weighted average number of ordinary shares of 246,183,390 (six months ended 30 June 2017: 244,733,390) in issue during the period.

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary share during the period ended 30 June 2018 and 2017.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment of approximately RMB830,000 (six months ended 30 June 2017: RMB506,000) and disposed of property, plant and equipment with carrying amount of approximately RMB11,000 (six months ended 30 June 2017: RMB23,000).

10. 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 2017: 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 2018. The Board intends to hold those properties to earn rentals and/or for capital appreciation.

11. TRADE RECEIVABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade receivables	**22,000**	17,859
Less: Allowance for trade receivables	**(1,200)**	(1,200)
	20,800	16,659

The average credit period granted to trade customers is 90 days. The Group seeks to maintain strict control its outstanding receivables. Allowance for trade receivables is made after the directors have considered the timing and probability of the collection on a regular basis.

The aging analysis of the Group's trade receivables, based on the billing summary and net of allowance, is as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
0 to 90 days	**11,618**	5,644
91 to 180 days	**3,858**	2,519
181 to 365 days	**—**	3,555
1 to 2 years	**383**	—
Over 2 years	**4,941**	4,941
	20,800	16,659

12. TRADE DEPOSITS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade deposits	**500**	1,000
Less: Allowance for trade deposits	**—**	(500)
	500	500

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 on a regular basis.

These trade deposits are refundable when the prescribed terms in the underlying agency contracts are achieved. Based on the payment date, aging analysis of the Group's trade deposits (net of allowance) at the end of the reporting period, is as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Over 3 years	**500**	500

13. SHARE CAPITAL

	Number of ordinary shares	Nominal value	
	'000	HK$'000	RMB'000
Authorised:			
Ordinary shares of HK$0.1 each			
At 31 December 2017 (Audited), 1 January 2018 (Audited) and 30 June 2018 (Unaudited)	2,000,000	200,000	206,000
Issued and fully paid:			
Ordinary shares of HK$0.1 each			
At 31 December 2017 (Audited) and 1 January 2018 (Audited)	244,733	24,473	24,276
Exercise of share options	1,450	145	118
At 30 June 2018 (Unaudited)	246,183	24,618	24,394

14. COMMITMENTS

(i) Operating lease commitments

As at 30 June 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within one year	**1,888**	3,349
In the second to fifth years inclusive	**660**	726
	2,548	4,075

(ii) Capital commitment contracted for at the end of the reporting period but not yet incurred is as followed:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Property, plant and equipment	**—**	200

15. RELATED PARTY TRANSACTIONS

The Group had the following transactions with its related parties during the period:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(i) Compensation of key management personnel of the Group		
Fees	**289**	323
Basic salaries and other allowances	**324**	897
Retirement benefits scheme contributions	**34**	34
Equity-settled share-based payments	**489**	1,415
Total compensation paid to key management personnel	**1,136**	2,669
(ii) Rental payment to a related company owned by a director of the Company	**471**	425

16. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2018 (Unaudited) (31 December 2017: Nil (Audited)).

BUSINESS REVIEW

In the first half of 2018, the growth of the gross domestic products in the PRC was RMB41,896.1 billion, representing a year-on-year increase of 6.8% based on comparable prices. The upward trend of the macroeconomic development in the PRC in the second half of 2016 was sustained in the first half of the year and a number of macroeconomic indicators showed signs of improvement. By quarter, the first quarter recorded an increase of 6.8% year on year with a growth of 6.7% in the second quarter, and the growth rate ranged from 6.7% to 6.9% for 12 consecutive quarters. By industry, the primary industry grew by RMB2,208.7 billion or 3.2% year on year; the secondary industry recorded an increase of RMB16,929.9 billion or 6.1% while the tertiary industry increased by RMB22,757.6 billion or 7.6%. As the supply-side structural reform further advanced, the market is expected to improve in general with the continuous reduction of excessive production capacity. In the first half of the year, the PRC government continued to increase land supply. Major cities such as Shanghai, Beijing and Shenzhen successively launched mid-to long-term plans on housing development planning and land supply to achieve “effective supply”, and the supply of residential land maintained a growth rate above 30%. Given the satisfactory sales performance of real estate market in the previous year, the third and fourth-tier cities further increased land supply and recorded the largest year-on-year increase in land supply among cities of different tiers during the period under review . The operations of the Group in north Jiangsu of Yangtze River Delta and Yichang in the central part of the PRC maintained steady growth and achieved satisfactory sales volume. At the same time, in respect of business development, as markets in the neighbouring areas of first-tier cities and in major second-tier cities improved due to structural adjustments, the management expects there will be other development projects in the second half of the year.

As for overseas business, with the gradual implementation of the Belt and Road Initiative, the Company has further expanded into the Southeast Asian markets. As an important link on the Belt and Road Initiative, Cambodia has always attracted great attention. According to the report of the National Bank of Cambodia (NBC), Cambodia’s total foreign direct investment (FDI) amounted to US$1.32 billion in the first half of the year, an increase of 14% as compared with US$1.16 billion for the same period last year. China has been the biggest source of foreign investment in Cambodia, with the agreed cumulative investment amount to Cambodia exceeding US$900 million. The Company has commenced its property agency and development projects in Cambodia, with certain projects having already entered the implementation phase and some still at the initial investment stage. It is expected that more projects will be implemented in the next two years before profits will be achieved.

MANAGEMENT DISCUSSION AND ANALYSIS

As such, the Group had recorded a gross profit of approximately RMB3,327,000 for the period as compared to RMB2,105,000 for the corresponding period of last year. The overall operating and administrative expenses had decreased by approximately 22.8% during the period under review mainly due to the decrease of amortisation of the share options and salaries expenses. Thus, the loss for the period attributable to owners of the Company decreased to approximately RMB2,557,000 from the loss of approximately RMB5,654,000 for the corresponding period of last year.

During the period under review, most of the Group's recorded revenue was generated from the Group's projects in Jiangsu Province, followed by Shanghai and Hubei Province, which represented approximately 49.3%, 43.2% and 6.5% of the Group's total revenue, respectively. On a comparative basis, in the first half of 2017, the Group's recorded revenue was mainly generated from projects in Jiangsu Province, followed by Shanghai and Hubei, which represented approximately 83.6%, 11.6% and 1.9% of the Group's total revenue, respectively.

COMPREHENSIVE PROPERTY CONSULTANCY AND SALES AGENCY BUSINESS

The Group principally provides comprehensive property consultancy and sales agency services for the properties markets with the majority of business in the PRC. During the six months ended 30 June 2018, the Group managed 6 comprehensive property consultancy and sales agency service projects (for the six months ended 30 June 2017: 7 projects) in the PRC. The total gross floor area of the underlying properties sold by the Group acting as the agent was approximately 106,000 square meters (for the six months ended 30 June 2017: 37,000 square meters) in the PRC.

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

The unaudited total revenue from such comprehensive property consultancy and sales agency service projects was approximately RMB14,338,000 (for the six months ended 30 June 2017: approximately RMB13,655,000), representing approximately 96.2% of the unaudited total revenue of the Group for the period under review (for the six months ended 30 June 2017: 93.7%).

As at 30 June 2018, the Group had 9 comprehensive property consultancy and sales agency service projects on hand (30 June 2017: 16 projects) with a total unsold gross floor area of approximately 438,000 square meters (30 June 2017: approximately 575,000 square meters). As at 30 June 2018, among the 9 projects, sale of the underlying properties of 3 projects had not commenced.

PURE PROPERTY PLANNING AND CONSULTANCY BUSINESS

During the period under review, the Group has continued to develop its pure property planning and consultancy business in the PRC. For the six months ended 30 June 2018, the Group has provided pure property planning and consultancy services for one property development project (the six months ended 30 June 2017: 4 projects), which generated an aggregate revenue of approximately RMB566,000, representing approximately 3.8% of the unaudited total revenue of the Group (the six months ended 30 June 2017: revenue of approximately RMB915,000 or approximately 6.3%).

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS AND OUTLOOK

According to the statistics from the National Bureau of Statistics of the PRC, during the first half of 2018, the sales area of commodity housing (as of May 2018) amounted to 564,090,900 square meters, representing a year-on-year increase of 2.9%, of which the sales area of residential housing increased by 2.3%. The country's overall investment in property development amounted to RMB4,142.027 billion, representing a year-on-year notional increase of 10.2%. In the first half of 2018, the core principle of "houses are for living instead of speculation" applied in all areas in the PRC with targeted and differential control measures implemented according to the different situations of cities. Not many adjustment policies on a large national scale were launched, but each local government formulated various adjustment policies based on the condition of the city. Meanwhile, different from previous years, various policies extended to the third and fourth-tier cities in addition to the first and second-tier cities.

1. In terms of the statistics of commodity housing, as controlled by the government's stringent limits on purchase, pricing and sales, a limited number of houses were launched in the first-tier cities despite huge demand, resulting in a slight drop in the steady transaction volume and relatively stable transaction prices. A new project would be immediately sold out once launched and the success rate of balloting was rather low. While polarized development was seen in second-tier cities, most of them followed the development of first-tier cities and maintained stable volume as well as prices under the government's control. In third-tier cities, however, transaction volume hit a record high in absolute value due to the rigorous shantytown renovations and destocking policies.

2. In terms of policies, in the first half of 2018, adjustment policies on real estate market continued to be further implemented with the stable establishment of long-term effective mechanism. Under strict restrictions on purchase, loan and presale prices as well as stronger financial regulations, there was mismatch between supply and demand of new house market in main cities. Insufficient effective supply could not meet the demand; together with other factors such as the delay in filing, a continuous drop was seen in transaction area of new houses. Initial statistics showed that in the first half of 2018, average monthly transaction volume of newly constructed commercial housing market in 50 selected cities amounted to approximately 27,400,000 square meters, representing a year-on-year decrease of approximately 10%.

3. In terms of land market, in the first half of 2018, local governments continued to increase land supply and the increase rate of residential land was maintained at over 30%. Given the satisfactory sales performance of real estate market in the previous year, the third and fourth-tier cities further increased land supply and recorded the largest year-on-year increase in land supply among cities of different tiers. In response to the policies on supply-side structural reform, second-tier cities also increased land supply by 25% compared to the same period last year. In first-tier cities, however, land supply only slightly yet steadily increased due to limited land area. Meanwhile, first-tier cities strove to increase launches of public rental housing as an effort to improve the balance of housing supply structure. The national transaction volume of residential land maintained an upward trend. As restricted by land supply structure and land auction policies, real estate developers were more prudent when acquiring land in first-tier cities, which slowed down the increase of land transactions in first-tier cites.

During the first quarter of 2018, the gross domestic products in the PRC increased by 6.8%, which was 1.52% lower than that in last year. In response to policies, companies explored new opportunities for business growth by implementing diversified development strategies. At the present stage, the Chinese economy has given priority to quality growth over rapid growth. With the optimization of economic structure, it has been a growing trend for real estate industry to transform and upgrade, with a vision to provide people with a beautiful life. Leading enterprises in the industry have sought diversified development under the new circumstances. The system to balance rental housing against purchased housing has fully stimulated the inventory market and brought opportunities for the rapid development of rental market. Meanwhile, with the upgrades in consumption and industries, enterprises have been adjusting operating models and continuously upgrading products and services to construct a compounded industry structure, meeting the national requirements for transforming the industrial structure.

Cambodian prime minister Hun Sen obtained the commitment of US$7 billion's investment from China during his visit to Beijing. Continuous breakthroughs in projects such as Phnom Penh new airport and Phnom Penh-Sihanoukville expressway deepened China-Cambodia corporation. Since the beginning of 2018, countries such as China had been increasing investments in Cambodia, which boosted the economic development in Cambodia and led to the rapid growth of property market with rising land and housing prices. China's "Belt and Road Initiative" also brought development opportunities for Southeast Asian countries such as Thailand, Malaysia, and especially the less developed Cambodia which has more room for development. By utilizing all available resources, the Group will integrate online and offline network and actively search for market opportunities while carrying out agency business, aiming for an industry chain with full coverage from land acquisition, construction to sales agency.

In addition to the existing business, to better access the overseas projects of the Group, the Group has set up a network technology division to achieve accurate sales and marketing of client data through collection, compilation, elimination and analysis of such data. Modern IT techniques are also employed to assist clients who already bought our apartments in real-time monitoring of properties as well as other services such as management, renovation and rental collection etc.

The management will continue to monitor new opportunities in the property market to enhance sustainable and stable growth of income of the Group. The Group will also continue to encourage employees to actively explore potential new projects and prospective property developers. In addition, the Group will also seek to cut down operating expenses by strengthening budget management and cost control, and to strictly control its cash outflow with an aim to improve the operating performance of the Group in the second half of the year and to drive long-term development of the Group and its employees as a whole, ultimately to create better returns for the shareholders of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group had unaudited net current assets of approximately RMB52.9 million (31 December 2017: approximately RMB49.8 million), unaudited total assets of approximately RMB70.3 million (31 December 2017: approximately RMB63.5 million) and unaudited shareholders' funds of approximately RMB57.9 million (31 December 2017: approximately RMB54.8 million). The current ratio (calculated by dividing total current assets with total current liabilities) increased from 5.29 as at 31 December 2017 to 6.68 as at 30 June 2018.

As at 30 June 2018, the unaudited bank and cash balances of the Group amounted to approximately RMB15.8 million (31 December 2017: approximately RMB12.5 million).

INDEBTEDNESS AND CHARGE ON ASSETS

The Group did not have any short or long term borrowing as at 30 June 2018 (31 December 2017: Nil).

The Group had no bank borrowings or overdrafts as at 30 June 2018 (31 December 2017: Nil).

As at 30 June 2018, the gearing ratio (calculated on the basis of total borrowings over total equity) of the Group was 0% (31 December 2017: 0%).

FOREIGN EXCHANGE RISKS

As the Group's sales are denominated in Renminbi and United States dollar, the Group's purchases and expenses are either denominated in Renminbi, Hong Kong dollar or United States dollar, and 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.

INTEREST RATE RISKS

The Group did not carry any borrowings which are exposed to interest rate risk during the period under review.

MAJOR INVESTMENTS

The Group had no material investments as at 30 June 2018. As at the date of this interim report, the Group has no future plans for material investments or capital assets.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2018 (31 December 2017: Nil).

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 30 June 2018 (31 December 2017: RMB200,000).

STAFF AND GROUP'S EMOLUMENT POLICY

As at 30 June 2018, the Group had a total of 157 staff (31 December 2017: 139 staff).

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

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 2018, 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)	86,385,979 Ordinary Shares (L)	35.09%
		Beneficial owner and interest of spouse (Note 3)	1,637,390 Ordinary Shares (L)	0.67%
		Beneficial owner and interest of spouse (Note 4)	4,200,000 Ordinary Shares (L)	1.66% (Note 13)

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
Ms. Lin Chien Ju ("Ms. Lin")	The Company	Interest of a controlled corporation (Note 5)	43,722,460 Ordinary Shares (L)	17.76%
		Beneficial owner (Note 6)	100,000 Ordinary Shares (L)	0.04% (Note 13)
Mr. Han Lin ("Mr. Han")	The Company	Beneficial owner	7,051,801 Ordinary Shares (L)	2.86%
		Beneficial owner (Note 7)	1,500,000 Ordinary Shares (L)	0.59% (Note 13)
Ms. Chang Hsiu Hua ("Ms. Chang")	The Company	Interest of spouse (Note 8)	86,385,979 Ordinary Shares (L)	35.09%
		Beneficial owner and interest of spouse (Note 9)	1,637,390 Ordinary Shares (L)	0.67%
		Beneficial owner and interest of spouse (Note 10)	4,200,000 Ordinary Shares (L)	1.66% (Note 13)
Mr. Cheng Chi Pang ("Mr. Cheng")	The Company	Beneficial owner (Note 11)	200,000 Ordinary Shares (L)	0.08% (Note 13)

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. Cui Shi Wei ("Mr. Cui")	The Company	Beneficial owner (Note 12)	200,000 Ordinary Shares (L)	0.08% (Note 13)

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 1,637,390 Shares comprised the 894,347 Shares and 743,043 Shares beneficially owned by him and his wife, Ms. Chang respectively. Mr. Chiang was regarded as interested in all the Shares in which Ms. Chang was interested by virtue of the SFO.

4. The long position of Mr. Chiang in these 4,200,000 Shares comprised 2,400,000 options and 1,800,000 options granted to him and his wife respectively by the Company under the share option scheme on 19 January 2017. Mr. Chiang was regarded as interested in all the Shares in which Ms. Chang 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)*

5. 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.

6. The long position of Ms. Lin in these 100,000 Shares comprised the 100,000 options granted to her by the Company under the share option schemes on 19 January 2017, respectively.

7. The long position of Mr. Han in these 1,500,000 Shares comprised the 1,500,000 options granted to him by the Company under the share option schemes on 12 March 2008 and 19 January 2017, respectively.

8. 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.

9. The long position of Ms. Chang in these 1,637,390 Shares comprised the 743,043 Shares and 894,347 Shares beneficially owned by her and her husband, Mr. Chiang respectively. Ms. Chang was regarded as interested in all the Shares in which Mr. Chiang was interested by virtue of the SFO.

10. The long position of Ms. Chang in these 4,200,000 Shares comprised 1,800,000 options and 2,400,000 options granted to her and her husband respectively by the Company under the share option scheme on 19 January 2017. Ms. Chang was regarded as interested in all the Shares in which Mr. Chiang was interested by virtue of the SFO.

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)*

11. The long position of Mr. Cheng in these 200,000 Shares represented 200,000 options granted to him by the Company under the share option schemes on 19 January 2017, respectively.

12. The long position of Mr. Cui in these 200,000 Shares represented 200,000 options granted to him by the Company under the share option schemes on 19 January 2017, respectively.

13. These percentages are calculated on the basis of 253,583,390 Shares of the Company in issue as at 30 June 2018, assuming that all the then outstanding options granted under the share option schemes had been exercised as at that date.

Save as disclosed above, as at 30 June 2018, 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 2018, 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)	86,385,979 Ordinary Shares (L)	35.09%
Upwell Assets	Beneficial owner (Note 3)	43,722,460 Ordinary Shares (L)	17.76%
Ms. Lin Shu Chi	Interest of a controlled corporation (Note 3)	43,722,460 Ordinary Shares (L)	17.76%
Honorway Nominees Limited ("Honorway Nominees")	Beneficial owner (Note 4)	19,528,103 Ordinary Shares (L)	7.93%
Honorway Investments Limited	Interest of a controlled corporation (Note 4)	19,528,103 Ordinary Shares (L)	7.93%
Mr. Ho Hau Chong, Norman	Interest of a controlled corporation (Note 4)	19,528,103 Ordinary Shares (L)	7.93%

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)	19,528,103 Ordinary Shares (L)	7.93%
Mr. Ho Hau Hay, Hamilton	Interest of a controlled corporation (Note 4)	19,528,103 Ordinary Shares (L)	7.93%
Ms. Sharon Young	Interest of spouse (Note 6)	19,528,103 Ordinary Shares (L)	7.93%

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.

DISCLOSURE OF INTERESTS

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

Notes: *(Continued)*

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.

Save as disclosed above, as at 30 June 2018, 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 post-IPO share option scheme ("Share Option Scheme A") was adopted pursuant to the written resolutions passed by all Shareholders on 10 June 2006. The purpose of the Share Option Scheme A was to enable the Group to grant share options to selected participants as incentives or rewards for their contribution to the Group. The Share Option Scheme A had remained in force for a period of 10 years commencing 10 June 2006 and had expired.

Another post-IPO share option scheme ("Share Option Scheme B") was adopted pursuant to the resolutions passed by all Shareholders on 17 June 2016. The purpose of the Share Option Scheme B is to enable the Group to grant share options to selected participants as incentives or rewards for their contribution to the Group. The Share Option Scheme B will remain in force for a period of 10 years commencing from 17 June 2016.

Eligible participants of the Share Option Scheme A and Share Option Scheme B 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.

DISCLOSURE OF INTERESTS

SHARE OPTION SCHEMES *(Continued)*

Details of the movements in the Company's outstanding share options granted under the Share Option Scheme A and Share Option Scheme B for the six months ended 30 June 2018 were as follows:

	Number of shares in respect of share options								
Category of participant	Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Cancelled or lapsed during the period	Outstanding as at 30 June 2018	Date of grant	Exercise period	Exercise price per Share HK$	Closing price of the Shares on the trading day immediately before the date of grant HK$
Directors:									
Chiang Chen Feng	1,200,000	—	—	—	1,200,000	19/1/2017	19/01/2018 to 18/01/2027	1.130	1.08
	1,200,000	—	—	—	1,200,000	19/1/2017	19/01/2019 to 18/01/2027	1.130	1.08
	2,400,000	—	—	—	2,400,000				
Chang Hsiu Hua	900,000	—	—	—	900,000	19/1/2017	19/01/2018 to 18/01/2027	1.130	1.08
	900,000	—	—	—	900,000	19/1/2017	19/01/2019 to 18/01/2027	1.130	1.08
	1,800,000	—	—	—	1,800,000				
Han Lin	1,025,869	—	—	(1,025,869)	—	12/3/2008	12/03/2009 to 11/03/2018	1.065	1.12
	1,025,870	—	—	(1,025,870)	—	12/3/2008	12/03/2010 to 11/03/2018	1.065	1.12
	750,000	—	—	—	750,000	19/1/2017	19/01/2018 to 18/01/2027	1.130	1.08
	750,000	—	—	—	750,000	19/1/2017	19/01/2019 to 18/01/2027	1.130	1.08
	3,551,739	—	—	(2,051,739)	1,500,000				
Lin Chien Ju	52,608	—	—	(52,608)	—	12/3/2008	12/03/2009 to 11/03/2018	1.065	1.12
	52,609	—	—	(52,609)	—	12/3/2008	12/03/2010 to 11/03/2018	1.065	1.12
	100,000	—	(100,000)	—	—	19/1/2017	19/01/2018 to 18/01/2027	1.130	1.08
	100,000	—	—	—	100,000	19/1/2017	19/01/2019 to 18/01/2027	1.130	1.08
	305,217	—	(100,000)	(105,217)	100,000				

SHARE OPTION SCHEMES *(Continued)*

Category of participant	Number of shares in respect of share options: Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Cancelled or lapsed during the period	Outstanding as at 30 June 2018	Date of grant	Exercise period	Exercise price per Share HK$	Closing price of the Shares on the trading day immediately before the date of grant HK$
Cheng Chi Pang	52,608	—	—	(52,608)	—	12/3/2008	12/03/2009 to 11/03/2018	1.065	1.12
	52,609	—	—	(52,609)	—	12/3/2008	12/03/2010 to 11/03/2018	1.065	1.12
	100,000	—	—	—	100,000	19/1/2017	19/01/2018 to 18/01/2027	1.130	1.08
	100,000	—	—	—	100,000	19/1/2017	19/01/2019 to 18/01/2027	1.130	1.08
	305,217	—	—	(105,217)	200,000				
Cui Shi Wei	52,608	—	—	(52,608)	—	12/3/2008	12/03/2009 to 11/03/2018	1.065	1.12
	52,609	—	—	(52,609)	—	12/3/2008	12/03/2010 to 11/03/2018	1.065	1.12
	100,000	—	—	—	100,000	19/1/2017	19/01/2018 to 18/01/2027	1.130	1.08
	100,000	—	—	—	100,000	19/1/2017	19/01/2019 to 18/01/2027	1.130	1.08
	305,217	—	—	(105,217)	200,000				
Employees:									
In aggregate	1,750,000	—	(1,350,000)	(200,000)	200,000	19/1/2017	19/01/2018 to 18/01/2027	1.130	1.08
	1,750,000	—	—	(750,000)	1,000,000	19/1/2017	19/01/2019 to 18/01/2027	1.130	1.08
	3,500,000	—	(1,350,000)	(950,000)	1,200,000				
Total	12,167,390	—	(1,450,000)	(3,317,390)	7,400,000				

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 A and Share Option Scheme B of the Group must not in aggregate exceed 30% of the Shares in issue from time to time (i.e. 73,855,017 Shares as at the date of this interim 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 interim report, options granted under the Share Option Scheme A and Share Option Scheme B to subscribe for 7,100,000 Shares after 300,000 options further lapsed in July 2018, representing approximately 2.88% of the issued share capital of the Company, remained outstanding.

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 2018.

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 2018.

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. During the period under review, the Company did not have 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.

OTHER INFORMATION

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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors have confirmed that they have 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 2018. The interests held or deemed to be held by individual Directors in the Company's securities as at 30 June 2018 are set out on pages 35 to 39 of this report.

REVIEW BY AUDIT COMMITTEE

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. Cheng Chi Pang, Mr. Cui Shi Wei and Mr. Lam Chun Choi. Mr. Cheng Chi Pang is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2018 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, BDO Limited, which has performed certain agreed upon procedures in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agree-upon Procedures Regarding Financial Information" issued by the HKICPA. The findings on the aforementioned agreed-upon procedures have been taken into consideration by the Audit Committee in its review of the interim results and the interim report for the six months ended 30 June 2018.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2018 were approved by the Board on 31 August 2018.

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

Hong Kong, 31 August 2018