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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Condensed Consolidated Income Statement

FOR THE SIX MONTHS ENDED 30 JUNE 2007

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

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2007

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 28 January 2003 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Following the Group's reorganisation (the "Reorganisation") implemented on 10 June 2006 to rationalise the structure of the Group in preparation for the listing (the Listing"), its shares have been listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 July 2006 (the "Listing Date") and the Company became the holding company of the Group after the Reorganisation.

The principal activities of the Company are investment holding. During the period under review, the Group was principally engaged in providing property consultancy and agency services for the primary property market in the People's Republic of China (the "PRC").

2. BASIS OF PREPARATION

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

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

3. PRINCIPAL ACCOUNTING POLICIES

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

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

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 March 2006.
[3] Effective for annual periods beginning on or after 1 May 2006.
[4] Effective for annual periods beginning on or after 1 June 2006.
[5] Effective for annual periods beginning on or after 1 November 2006.

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

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

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

[1] Effective for annual periods beginning on or after 1 January 2009.
[2] Effective for annual periods beginning on or after 1 March 2007.
[3] Effective for annual periods beginning on or after 1 January 2008.

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

4. TURNOVER

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

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

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

5. PROFIT FROM OPERATIONS BEFORE INCOME TAX

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

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

6. TAXATION

(a) Income Tax

Income tax expense represents:

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

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

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

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

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

(b) Business tax

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

7. DIVIDENDS

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

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

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

8. EARNINGS PER SHARE

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

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

9. TRADE RECEIVABLES

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

The ageing analysis of trade receivables is as follows:

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

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

10. TRADE DEPOSITS

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

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

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

11. SHARE OPTION SCHEMES

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

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

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

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

As at 30 June 2007, no option had been granted under the Share Option Scheme.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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

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

Comprehensive property consultancy and agency business

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

FUTURE PROSPECTS

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

On 3 February 2007, Shanghai Fortune Sun entered into a loan agreement with a bank in respect of a RMB15,000,000 loan facility. The loan facility is secured by a deposit of RMB 15,000,000 of the Company. The loan facility had not been utilised as of the date of this announcement. The Group had no borrowing as at 30 June 2007.

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

FOREIGN EXCHANGE EXPOSURE

As the Group's sales are predominantly in Renminbi and the purchases and expenses are either in Renminbi or Hong Hong dollars, the currency fluctuation risk is considered insignificant. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure by on-going process and will consider to hedge significant currency risk exposure should the need arise.

STAFF

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

CORPORATE GOVERNANCE

None of Directors is aware of any information which would reasonably indicate that the Company is not, or was not, in compliance with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules since the Listing Date, except for CG Code A2.1 regarding the responsibilities between the chairman and chief executive officer ("CEO") which have not been segregated.

The Company does not have a separate chairman and CEO and Mr. Chiang Chen Feng currently performs these two roles. The Board believes that vesting the roles of both chairman and CEO in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and efficiently.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by the Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code during the six months ended 30 June 2007.

AUDIT COMMITTEE

Pursuant to the requirements of the CG Code and Rule 3.21 of the Listing Rules, the Company has established an audit committee (the "Audit Committee") comprising all three existing independent non-executive Directors, namely Mr. Ng Wai Hung, Mr. Cui Shi Wei, and Dr. Cheng Chi Pang. The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2007 including the accounting, internal control and financial reporting issues. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditors in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA as well as obtaining reports from the management. The Audit Committee has not undertaken detailed independent audit checks.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management of the Group. The Remuneration Committee consists of three members comprising all three independent non-executive Directors, namely Mr. Ng Wai Hung, Mr. Cui Shi Wei, and Dr. Cheng Chi Pang.

REVIEW OF ACCOUNTS

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

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

By order of the Board
Chiang Chen Feng
Chairman

Hong Kong, 21 September 2007

As at the date of this announcement, the executive Directors are Mr. Chiang Chen Feng, Ms. Chang Hsiu Hua and Mr. Han Lin; the non-executive Director is Ms. Lin Chien Ju; and the independent non-executive Directors are Mr. Ng Wai Hung, Mr. Cui Shi Wei, and Dr. Cheng Chi Pang.