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 2010

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 2010 together with the comparative figures in 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	*(Unaudited)*
Revenue	*3*	**16,530**	12,029
Business tax and other levies		**(926)**	(593)
Cost of services rendered		**(17,410)**	(17,582)
Gross loss		**(1,806)**	(6,146)
Other income		**6,962**	284
Operating and administrative expenses		**(8,481)**	(10,330)
Loss before tax		**(3,325)**	(16,192)
Income tax credit/(expense)	*4*	**1,194**	(1,525)
Loss for the period	*5*	**(2,131)**	(17,717)
Attributable to:			
Owners of the Company		**(2,623)**	(17,717)
Non-controlling interests		**492**	–
		(2,131)	(17,717)
		RMB cents	*RMB cents*
Loss per share	*7*		
Basic		**1.3**	8.8
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Loss for the period	**(2,131)**	(17,717)
Other comprehensive income:		
Exchange differences on translating foreign operations	**(90)**	(7)
Other comprehensive income for the period, net of tax	**(90)**	(7)
Total comprehensive income for the period	**(2,221)**	(17,724)
Attributable to:		
Owners of the Company	**(2,713)**	(17,724)
Non-controlling interests	**492**	–
	(2,221)	(17,724)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Note	**30 June 2010** *RMB'000* *(Unaudited)*	31 December 2009 *RMB'000* *(Audited)*
Non-current assets			
Property, plant and equipment		**2,989**	2,337
Investment properties		**1,563**	1,984
Prepaid land lease payments of investment properties		**1,523**	2,011
Deposits for investment properties and prepaid land lease payments		**140**	–
Golf club membership		**291**	291
		6,506	6,623
Current assets			
Trade receivables	*8*	**42,277**	48,499
Trade deposits	*9*	**31,027**	34,968
Prepayments and other deposits		**4,134**	4,116
Other receivables	*10*	**16,797**	26,852
Tax recoverable		**344**	–
Bank and cash balances		**26,544**	8,975
		121,123	123,410
Current liabilities			
Accruals and other payables	*11*	**26,058**	25,198
Net current assets		**95,065**	98,212
Total assets less current liabilities		**101,571**	104,835
Non-current liabilities			
Deferred tax liabilities		**9,078**	10,272
NET ASSETS		**92,493**	94,563
Capital and reserves			
Share capital		**20,644**	20,644
Reserves		**71,357**	73,919
Equity attributable to owners of the Company		**92,001**	94,563
Non-controlling interests		**492**	–
TOTAL EQUITY		**92,493**	94,563

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

These condensed financial statements should be read in conjunction with the 2009 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2009 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 2010. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years except as stated below.

Consolidation

HKAS 27 (Revised) "Consolidated and Separate Financial Statements" contains the following requirements:

– Total comprehensive income is attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance. The previous HKAS 27 requires excess losses to be allocated to the owners of the Company, except to the extent that the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.

– Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the Company. The previous HKAS 27 does not have specific requirements for such transactions.

– When the disposal of a subsidiary results in a loss of control, the consideration of the sale and any investment retained in that subsidiary are required to be measured at their fair values. The previous HKAS 27 does not have specific requirements for such fair value measurements.

The above requirements of HKAS 27 (Revised) has been applied prospectively from 1 January 2010 and did not have any impact on the financial position or performance of the Group.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

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

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Comprehensive property consultancy and sales agency service projects	**15,956**	11,818
Pure property consultancy service projects	**574**	211
	16,530	12,029

The Group has carried on a single business in a single geographical segment, which is the provision of agency services for the sale of properties and property consultancy services in the PRC, and all the assets are substantially located in the PRC. Therefore, no operating segment information has been presented.

The accounting policies of the operating segment are same as those described in the Group's financial statements for the year ended 31 December 2009.

4. INCOME TAX CREDIT/(EXPENSE)

Income tax credit/(expense) represents:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Deferred tax	**1,194**	(1,525)

No provision for Hong Kong Profits Tax is required since the Group had no assessable profit in Hong Kong during the period (six months ended 30 June 2009: RMB Nil).

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

PRC subsidiaries are subject to the PRC Enterprise Income Tax ("EIT") at 25% on assessable profits except for Shanghai Fu Yang Property Consultant Co., Ltd. ("Shanghai Fortune Sun") and Cornerstone Investment Management & Consultant Co., Ltd. ("Cornerstone") which the directors are confident that the Grandfathering Relief Ruling is also applicable to Shanghai Fortune Sun and Cornerstone. Therefore, Shanghai Fortune Sun and Cornerstone are subject to 22% (six months ended 30 June 2009: 20%) EIT for the six months ended 30 June 2010. No EIT is required since Shanghai Fortune Sun and Cornerstone have no assessable profit during the period under review (six months ended 30 June 2009: RMB Nil).

5. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Crediting:		
Interest income	**49**	54
Exchange gain, net	**89**	–
Gain on disposals of investment properties and prepaid land lease payments of investment properties	**532**	230
Charging:		
Amortisation of prepaid land lease payments of investment properties	**20**	33
Auditor's remuneration	**169**	193
Depreciation of property, plant and equipment	**296**	206
Depreciation of investment properties	**20**	26
Exchange loss, net	**–**	7
Loss on disposals of property, plant and equipment	**–**	4
Staff costs (including directors' remuneration)		
– Fees, salaries, bonus and allowances	**4,438**	4,282
– Retirement benefits scheme contributions	**924**	793
– Equity-settled share-based payments	**151**	643
Other operating lease charges on land and buildings	**2,305**	2,837
Written off of other receivables	**–**	893
Allowance for/(reversal of) impairment		
– Trade receivables	**(3,136)**	1,249
– Trade deposits	**98**	(105)
– Other receivables	**(1,345)**	–

6. DIVIDEND

The Board does not recommend the payment of an interim dividend for the period under review (six months ended 30 June 2009: RMB Nil).

7. LOSS PER SHARE

The calculation of basic loss per share attributable to the owners of the Company is based on the loss for the period attributable to the owners of the Company of approximately RMB2,623,000 (six months ended 30 June 2009: loss of RMB17,717,000) and the weighted average number of ordinary shares of 200,470,000 (six months ended 30 June 2009: 200,470,000) in issue during the period.

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary share during the period ended 30 June 2010 (six months ended 30 June 2009: RMB Nil).

8. TRADE RECEIVABLES

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Trade receivables	**45,862**	55,220
Less: Allowance for impairment	**(3,585)**	(6,721)
	42,277	48,499

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

The credit period granted to trade customers is generally ranging from 1 month to 3 months. The ageing analysis of the Group's trade receivables, based on the billing summary, and net of allowance is as follows:

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Within 90 days	**8,745**	14,953
Between 91 to 180 days	**1,686**	13,555
Between 181 to 365 days	**14,288**	1,102
Between 1 to 2 years	**1,033**	6,455
Over 2 years	**16,525**	12,434
	42,277	48,499

9. TRADE DEPOSITS

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Trade deposits	**37,386**	41,229
Less: Allowance for impairment	**(6,359)**	(6,261)
	31,027	34,968

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

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

9. TRADE DEPOSITS *(Continued)*

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

	30 June 2010 *RMB'000* *(Unaudited)*	31 December 2009 *RMB'000* *(Audited)*
Within 90 days	**166**	454
Between 91 to 180 days	**250**	848
Between 181 to 365 days	**817**	339
Between 1 to 2 years	**–**	18,108
Between 2 to 3 years	**18,426**	11,789
Over 3 years	**11,368**	3,430
	31,027	34,968

10. OTHER RECEIVABLES

Included in other receivables is the receivable from the Current Investment Partner (as defined below) of RMB11,500,000 (31 December 2009: RMB19,192,000) *(note 12)*.

11. ACCRUALS AND OTHER PAYABLES

Included in accruals and other payables are the payables to the Plaintiffs (as defined below) of RMB11,500,000 (31 December 2009: RMB19,192,000) *(note 12)*.

12. SETTLEMENT OF LITIGATIONS

In relation to the litigations (the "Litigations") disclosed in the announcements of the Company dated 20 April 2009, 29 May 2009, 23 September 2009 and 24 February 2010, they were finally settled on 20 February 2010 as Shanghai Fortune Sun and two individual customers (the "Plaintiffs") for the purchase of 5 property units from a real estate project in Shanghai (the "Subject Project") entered into a settlement agreement (the "Settlement Agreement"). Pursuant to the Settlement Agreement, Shanghai Fortune Sun had agreed to pay to the Plaintiffs an aggregate sum of RMB20 million (the "Settlement Amount") in full settlement of the Litigations. The Settlement Amount comprises (1) approximately RMB15,616,000, being the aggregate amount of prepayments made by the Plaintiffs for the purchase of 5 property units from the Subject Project; and (2) approximately RMB4,384,000, being default interests in respect of the breaches by Shanghai Fortune Sun of the agency agreements for the purchase of certain properties under the Subject Property and the costs of the Litigations.

12. SETTLEMENT OF LITIGATIONS *(Continued)*

Pursuant to the Settlement Agreement, a sum of RMB808,000, being the approximate bank balance up to 3 November 2009 in a bank account of Shanghai Fortune Sun as frozen by the court in Shanghai, was debited for payment of part of the Settlement Amount, and the balance of the Settlement Amount (being RMB19,192,000) shall be paid by Shanghai Fortune Sun to the Plaintiffs in monthly installments as to (i) RMB892,000, payable before 25 February 2010; (ii) RMB1,700,000 per month, payable before the 25th day of each calendar month for the period from March 2010 to December 2010; and (iii) RMB1,300,000, payable before 25 January 2011.

Pursuant to the letter of commitment issued by Shanghai Zhilian Enterprise Development Company Limited (上海智連企業發展有限公司) ("Shanghai Zhilian"), a wholly-owned subsidiary of Shanghai Ke Shang Property Consultant Company Limited (上海可上房產咨詢有限公司) (the "Current Investment Partner") and an independent third party of the Group, to Shanghai Pudong New District People's Court dated 20 February 2010, Shanghai Zhilian has unconditionally agreed to guarantee the repayment obligations of Shanghai Fortune Sun for the Settlement Amount. In addition, Shanghai Zhilian has also provided two residential units and the corresponding parking lots from the Subject Project (which are free from encumbrances and tenancy) to the court as security for the undertaking.

In the six-month period ended 30 June 2010, Shanghai Fortune Sun had received RMB7,692,000 from Shanghai Zhilian for discharging the repayment obligations of Shanghai Fortune Sun for the Settlement Amount which had been guaranteed by Shanghai Zhilian and such amount was paid to the Plaintiffs in full accordingly. As a result, the payables to the Plaintiffs as of 30 June 2010 was reduced to RMB11,500,000 from RMB19,192,000 as of 31 December 2009 while a corresponding receivable from Shanghai Zhilian, amounted to RMB11,500,000 as of 30 June 2010, was recorded.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

With a series of measures promulgated by the State Council of the PRC government, followed with other detailed measures from other government bureau in the first half of 2010, the Central Government of the PRC had delivered a strong signal to the market that the PRC government will proactively act to stabilize market expectation and to facilitate stable and sound development of the real estate industry. Such measures were taken to tackle the excessive rise in housing prices and property speculation activities in some major cities in Mainland China. Under these intensive corrective measures, the demand and the prices of properties had dropped noticeably in the major cities during the period under review. The Group's operating performance has been facing a significant challenge in the year of 2010.

During the period under review, the Group recorded an unaudited turnover of approximately RMB16.53 million, which represented an increase of approximately 37.42% as compared with the unaudited turnover of approximately RMB12.03 million for the corresponding first half year in 2009. Such increase was mainly because the sales momentum of several premium property projects last year was maintained in the first quarter of 2010 and contributed a substantial portion in the Group's revenue although market demand was curtailed under the austerity measures as mentioned.

For the six months ended 30 June 2010, the gross loss margin of the Group was approximately 10.93% which had improved significantly from approximately 51.09% as recorded during the corresponding period in 2009. The substantial decrease in gross loss margin was mainly because relatively less cost of services of certain projects were incurred in its latter stage of sales. Accordingly, given the gross loss margin in the period, the Group suffered a loss for the reporting period. The unaudited loss attributable to the owners of the Company during the period under review was reduced to approximately RMB2.62 million as compared with the loss of approximately RMB17.72 million for the corresponding period in 2009. Such improvement was principally due to the increase in the Group's turnover and lower gross loss margin as mentioned above.

COMPREHENSIVE PROPERTY CONSULTANCY AND AGENCY BUSINESS

During the period under review, the Group mainly provided comprehensive property consultancy and agency services for the primary residential and commercial property market in the PRC. For the six months ended 30 June 2010, the Group had 20 projects in operation and it generated revenue from 17 (six months ended 30 June 2009: 17) comprehensive property consultancy and agency projects. For the six months ended 30 June 2010, approximately 0.18 million square metres (six months ended 30 June 2009: 0.20 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 RMB15.96 million contributed almost the entire unaudited turnover of the Group during the period under review, accounting for approximately 96.55% of the total unaudited revenue of the Group.

As at 30 June 2010, the Group had 30 comprehensive property consultancy and agency projects on hand with a total of approximately 3.39 million square metres of unsold gross floor areas. Among these 30 projects, the sales of the underlying properties of 10 projects have not yet commenced as at 30 June 2010.

FUTURE PROSPECTS

Looking forward to the second half of 2010, austerity measures against the overheated property market in the first half of 2010 will likely discourage speculative market activities and bring about relative stability in property price level in the PRC. The management considers that the property demands for genuine home buyers are still keen in the future due to increasing urbanization and the yearn for improvement in living conditions, especially in second and third tier cities in China, when a more reasonable and affordable property price level is restored. The Company is now exploring more investment opportunities in property development in those areas in view of improving the profitability of the Group in the future.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2010, the Group had unaudited net current assets of approximately RMB95.07 million (31 December 2009: RMB98.21 million), unaudited total assets of approximately RMB127.63 million (31 December 2009: RMB130.03 million) and unaudited shareholders' funds of approximately RMB92.49 million (31 December 2009: RMB94.56 million).

As at 30 June 2010, the unaudited bank and cash balances of the Group amounted to approximately RMB26.54 million (31 December 2009: RMB8.98 million).

GEARING RATIO

As the Group did not have any borrowings as at 30 June 2010, the gearing ratio was zero (31 December 2009: zero).

PLEDGED ASSETS

As at 30 June 2010, the Group did not pledge or charge any property, plant and equipment to secure any loans or bank facilities of the Group (31 December 2009: RMB Nil).

FOREIGN EXCHANGE EXPOSURE

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

STAFF

As at 30 June 2010, the Group had a total of 251 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

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

CORPORATE GOVERNANCE

None of 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 during the six months ended 30 June 2010, except for code provision A.2.1 of the CG Code regarding the responsibilities between the chairman and chief executive officer ("CEO") which have not been segregated.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by the Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. The Company has made specific enquiry of all Directors, and all Directors have confirmed to the Company that they have fully complied with the required standard set out in the Model Code during the six months ended 30 June 2010.

AUDIT COMMITTEE

Pursuant to the requirements of the CG Code and Rule 3.21 of the Listing Rules, the Board 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 2010 including the accounting, internal control and financial reporting issues. In carrying out this review, the Audit Committee has relied on a review conducted by the Company's external auditor in accordance with certain procedures of Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA as well as obtaining reports from the management. The Audit Committee has not undertaken detailed independent audit checks.

REVIEW OF ACCOUNTS

At the request of the Directors, the Company's external auditor, RSM Nelson Wheeler, has carried out a review on the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010 in accordance with certain procedures of Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010 were approved by the Board on 27 August 2010.

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

Hong Kong, 27 August 2010

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.