# 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 2011

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 2011 together with the comparative figures in 2010 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30 June 2011*

| | *Note* | **Six months ended 30 June 2011** *RMB'000* *(Unaudited)* | 2010 *RMB'000* *(Unaudited)* |
|---|---|---|---|
| **Revenue** | *3* | **11,805** | 16,530 |
| Business tax and other levies | | **(770)** | (926) |
| Cost of services rendered | | **(18,267)** | (17,410) |
| **Gross loss** | | **(7,232)** | (1,806) |
| Other income | | **1,268** | 6,962 |
| Operating and administrative expenses | | **(8,782)** | (8,481) |
| **Loss from operations** | | **(14,746)** | (3,325) |
| Finance cost – loan interest | | **(451)** | – |
| **Loss before tax** | | **(15,197)** | (3,325) |
| Income tax credit | *4* | **1,106** | 1,194 |
| **Loss for the period** | *5* | **(14,091)** | (2,131) |
| **Attributable to:** | | | |
| Owners of the Company | | **(14,091)** | (2,623) |
| Non-controlling interests | | **–** | 492 |
| | | **(14,091)** | (2,131) |
| | | ***RMB cents*** | *RMB cents* |
| **Loss per share** | *7* | | |
| Basic | | **7.0** | 1.3 |
| Diluted | | **N/A** | N/A |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2011*

| | Six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Unaudited)* |
| **Loss for the period** | **(14,091)** | (2,131) |
| **Other comprehensive income:** | | |
| Exchange differences on translating foreign operations | **(57)** | (90) |
| **Other comprehensive income for the period, net of tax** | **(57)** | (90) |
| **Total comprehensive income for the period** | **(14,148)** | (2,221) |
| **Attributable to:** | | |
| Owners of the Company | **(14,148)** | (2,713) |
| Non-controlling interests | **–** | 492 |
| | **(14,148)** | (2,221) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2011*

| | Note | **30 June 2011** *RMB'000* *(Unaudited)* | 31 December 2010 *RMB'000* *(Audited)* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **2,950** | 3,361 |
| Investment properties | | **3,943** | 3,990 |
| Golf club membership | | **291** | 291 |
| Available-for-sale financial assets | | **1,500** | 1,500 |
| | | **8,684** | 9,142 |
| **Current assets** | | | |
| Trade receivables | *8* | **20,223** | 29,155 |
| Trade deposits | *9* | **24,907** | 28,980 |
| Prepayments and other deposits | | **2,805** | 3,653 |
| Other receivables | *10* | **20,276** | 19,745 |
| Current tax assets | | **–** | 344 |
| Bank and cash balances | | **26,229** | 17,203 |
| | | **94,440** | 99,080 |
| **Current liabilities** | | | |
| Accruals and other payables | | **19,339** | 7,083 |
| Other loan | *11* | **7,900** | 10,000 |
| | | **27,239** | 17,083 |
| **Net current assets** | | **67,201** | 81,997 |
| **Total assets less current liabilities** | | **75,885** | 91,139 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **4,978** | 6,084 |
| **NET ASSETS** | | **70,907** | 85,055 |
| **Capital and reserves** | | | |
| Share capital | | **20,644** | 20,644 |
| Reserves | | **50,263** | 64,411 |
| **TOTAL EQUITY** | | **70,907** | 85,055 |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (the "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 financial statements should be read in conjunction with the 2010 annual consolidated financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2010.

## 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 2011. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and presentation of the Group's consolidated financial statements and amounts reported for the current period and prior years.

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

## 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** | |
|---|---|---|
| | **2011** | 2010 |
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Unaudited)* |
| Comprehensive property consultancy and sales agency service projects | **9,968** | 15,956 |
| Pure property planning and consultancy service projects | **1,837** | 574 |
| | **11,805** | 16,530 |

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

The accounting policies of the operating segment are same as those described in the Group's consolidated financial statements for the year ended 31 December 2010.

## 4. INCOME TAX CREDIT

Income tax credit represents:

| | Six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Unaudited)* |
| Deferred tax | **1,106** | 1,194 |

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit in Hong Kong for the period under review (six months ended 30 June 2010: RMB Nil).

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

The new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007 introduced various changes which included the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%. The new tax law was effective from 1 January 2008.

According to the Notice on the implementation Rules of the Grandfathering Relief under the PRC New Corporate Income Tax Law, Guofa (2007) No. 39 issued on 26 December 2007 by the State Council, the transitional treatment for the preferential enterprise income tax rate of 15% under the old laws, applicable to the foreign-invested enterprises registered in Pudong New District of Shanghai is 18% in 2008 and the applicable tax rate shall gradually increase from 18% to 25% from 2008 to 2012. The directors are confident that the Grandfathering Relief Ruling is also applicable to both Shanghai Fu Yang Property Consultant Co., Ltd ("Shanghai Fortune Sun") and Cornerstone Investment Management & Consultancy Co., Limited ("Cornerstone"). Accordingly, Shanghai Fortune Sun and Cornerstone are subject to 24% (six months ended 30 June 2010: 22%) PRC enterprise income tax during the period. No PRC enterprise income tax is required since Shanghai Fortune Sun and Cornerstone have no assessable profit for the period under review (six months ended 30 June 2010: RMB Nil).

## 5. LOSS FOR THE PERIOD

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

| | Six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Auditor's remuneration | | |
| – Current | **191** | 169 |
| – Under-provision in prior year | **83** | – |
| | **274** | 169 |
| Interest income | **(120)** | (49) |
| Depreciation of property, plant and equipment | **483** | 296 |
| Depreciation of investment properties | **47** | 40 |
| Exchange gain, net | **–** | (89) |
| Gain on disposals of investment properties | **–** | (532) |
| Gain on disposals of property, plant and equipment | **(11)** | – |
| Staff costs (including directors' remuneration) | | |
| – Fees, salaries, bonus and allowances | **4,478** | 4,438 |
| – Retirement benefits scheme contributions | **850** | 924 |
| – Equity-settled share-based payments | **–** | 151 |
| | **5,328** | 5,513 |
| Operating lease charges on land and buildings | **1,297** | 2,305 |
| Allowance for/(reversal of) impairment | | |
| – Trade receivables | **1,877** | (3,136) |
| – Trade deposits (*) | **(1,127)** | 98 |
| – Other receivables (*) | **(144)** | (1,345) |
| | **606** | (4,383) |

* Due to the project developers' ability to pay has improved during the period, there was an improvement of the cash collection from some long aged projects. As a result, impairment losses made in prior years against the trade deposits and other receivables of approximately RMB1,127,000 and RMB144,000 were reversed, respectively.

## 6. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the period under review (six months ended 30 June 2010: 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 RMB14,091,000 (six months ended 30 June 2010: RMB2,623,000) and the weighted average number of ordinary shares of 200,470,000 (six months ended 30 June 2010: 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 2011 (six months ended 30 June 2010: RMB Nil).

## 8. TRADE RECEIVABLES

| | **30 June 2011** *RMB'000* *(Unaudited)* | 31 December 2010 *RMB'000* *(Audited)* |
|---|---|---|
| Trade receivables | **25,638** | 32,693 |
| Less: Allowance for impairment | **(5,415)** | (3,538) |
| | **20,223** | 29,155 |

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 for impairment is as follows:

| | **30 June 2011** *RMB'000* *(Unaudited)* | 31 December 2010 *RMB'000* *(Audited)* |
|---|---|---|
| Within 90 days | **5,517** | 5,964 |
| Between 91 to 180 days | **1,257** | 1,899 |
| Between 181 to 365 days | **4,156** | 4,702 |
| Between 1 to 2 years | **7,405** | 10,808 |
| Over 2 years | **1,888** | 5,782 |
| | **20,223** | 29,155 |

## 9. TRADE DEPOSITS

| | **30 June 2011** *RMB'000* *(Unaudited)* | 31 December 2010 *RMB'000* *(Audited)* |
|---|---|---|
| Trade deposits | **28,438** | 33,638 |
| Less: Allowance for impairment | **(3,531)** | (4,658) |
| | **24,907** | 28,980 |

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 the Group's trade deposits (net of allowance for impairment) is as follows:

| | **30 June 2011** | 31 December 2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Audited)* |
| Within 90 days | **–** | 17 |
| Between 91 to 180 days | **18** | 258 |
| Between 181 to 365 days | **271** | 637 |
| Between 1 to 2 years | **181** | 891 |
| Between 2 to 3 years | **937** | 17,726 |
| Over 3 years | **23,500** | 9,451 |
| | **24,907** | 28,980 |

## 10. OTHER RECEIVABLES

Included in other receivables is the shareholder's loan to Shanghai Hengda Group (Jiangsu) Investment Co., Ltd. of RMB14,500,000 (31 December 2010: RMB14,500,000). This shareholder's loan is unsecured, interest-free and has no fixed terms of repayment.

## 11. OTHER LOAN

The other loan from an unrelated company is denominated in RMB, interest-bearing at a fixed interest rate of 10.62% per annum, thus exposes the Group to fair value interest rate risk, and will be repaid within the next six months. An independent third party has unconditionally agreed to guarantee the repayment obligations of the Group for the principal of the loan together with any accrued interest.

## 12. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2011 (31 December 2010: RMB Nil).

## 13. LITIGATION

In June 2011, a writ was filed with 上海市第一中級人民法院 (Shanghai No.1 Intermediate People's Court) and served by Shanghai Bao Rui Land Company Limited (上海寶瑞置業有限公司) (the "Current Customer") as plaintiff on Shanghai Ke Shang Property Consultant Company Limited (上海可上房產咨詢有限公司) (the "Current Investment Partner" , an independent third party of the Group), Shanghai Zhilian Enterprise Development Company Limited (上海智連企業發展有限公司) ("Shanghai Zhilian" , an independent third party of the Group) and Shanghai Fortune Sun as defendants in respect of a dispute on land value-added tax liability arising from a real estate project in Shanghai (the "Dispute"). The amount claimed by the Current Customer was RMB60 million and legal costs incidental to the Dispute (the "Claim").

The Current Investment Partner has unconditionally agreed to undertake all potential economic losses suffered by Shanghai Fortune Sun that may arise from the Dispute, including any damages payable by Shanghai Fortune Sun and incidental costs such as legal costs and interests (collectively, the "Potential Liabilities"). The Current Investment Partner has further unconditionally agreed to directly settle any and all the Potential Liabilities payable by Shanghai Fortune Sun by settling such sums on behalf of Shanghai Fortune Sun, or by advance payment to Shanghai Fortune Sun, or otherwise by reimbursement to Shanghai Fortune Sun at its direction.

The Directors, after consulting the Group's PRC legal advisers, are of the opinion that the Claim made by the Current Customer against Shanghai Fortune Sun is unmeritorious and without sufficient basis. The Directors also consider that in the event any Potential Liabilities materializes against Shanghai Fortune Sun, the Group will not be materially affected in light of the undertaking against the Potential Liabilities provided by the Current Investment Partner in favour of Shanghai Fortune Sun.

Since the Directors currently consider the probability of the Claim materializing against the Group is remote, no provision in relation to the Claim has been made in the Group's financial statements as at 30 June 2011. Further disclosure or/and provision in relation to the Claim will be made by the Company as and when appropriate in compliance with the applicable requirements under the HKAS and the Listing Rules.

## MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

In 2011, the policy intent of the Chinese Central Government towards the adjustment of commercial property market in the PRC became more specific and meticulous. In order to further consolidate and extend the effect of the adjustment, the central and local governments implemented more stringent adjustment measures such as "house tax", "the Eight New Measures of the State Council", "limited purchasing order", "social housing" and "monetary loan". Mortgage costs in Mainland China increased as a result of the increases in bank reserve requirement rate for six times and the increases of interest rate twice in the first half of the year. The restriction in percentage of property loans from banks had also caused the property market in the PRC to remain stagnant during the first half of the year. The sentiment of the speculative property market was further heavily undermined by the promulgation of measures against ordinary housing by the Ministry of Finance and the State Administration of Taxation on 27 January which stipulated a levy of full amount of business tax for ordinary housing sold within five years of purchase. As a consequence, the commercial property transaction volume in terms of gross floor area in Shanghai in the first half of current year decreased by 37% as compared to the second half of last year, while property inventory increased by 2.05 million square metres, represented an increase of approximately 36% and a historical high since February 2009. In Zhejiang, saleable area of real estate decreased by 13.2% over the corresponding period in last year. In a nutshell, the Group's operating performance has been facing a significant challenge in 2011.

During the period under review, the Group recorded an unaudited turnover of approximately RMB11,805,000, represented a decrease of approximately 28.6% as compared with the unaudited turnover of approximately RMB16,530,000 in the first half year of 2010. Such decrease was mainly due to substantial decrease in demand in some first-tier cities after a series of stringent adjustment measures which resulted in substantially less than expected sales of certain high-end property projects in Shanghai and Jiangsu during the first half of this year. However, the Group recorded satisfactory revenues on certain projects developed in some second and third-tier cities in the first half of the year.

For the six months ended 30 June 2011, the gross loss margin of the Group was approximately 61.3% (corresponding period in 2010: 10.9%). The substantial increase in gross loss margin was mainly due to the significant marketing and advertising expenses spent for promoting sales of certain high-end projects, and that notwithstanding such marketing efforts, sales revenue was eventually far less than expected. Besides, certain costs of services rendered did not fall in tandem with the drop in revenue but remained at a relatively stable level due to the Group's scale of operation. As a result of 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 rose to approximately RMB14,091,000 as compared with the loss of approximately RMB2,131,000 for the corresponding period in 2010. The increase in loss was principally due to the significant decrease in the Group's turnover and higher gross loss margin.

During the period under review, most of the Group's recorded revenue was generated from projects in Hubei, follwed by Jiangsu and Hainan, which represented 56%, 21% and 8% of the Group's total revenue, respectively. In comparison, in the first half of 2010, the Group's recorded revenue was mainly generated from projects in Jiangsu, follwed by Hubei and Shanghai, which represented 50%, 26% and 17% of total revenue, respectively.

## 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 2011, the Group had 16 projects in operation (six months ended 30 June 2010: 20 projects), of which 11 projects were comprehensive property consultancy and agency projects (six months ended 30 June 2010: 17 projects). For the six months ended 30 June 2011, gross floor areas of approximately 0.132 million square metres (six months ended 30 June 2010: 0.176 million square metres) 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 RMB9,968,000 contributed approximately 84.4% of the unaudited total revenue of the Group during the period under review (six months ended 30 June 2010: approximately RMB15,956,000 or contributed approximately 96.5%).

As at 30 June 2011, the Group had a total of 28 property consultancy and agency projects on hand with total unsold gross floor areas of approximately 3.88 million square metres (six months ended 30 June 2010: 30 property consultancy and agency projects, with total unsold gross floor areas of approximately 3.39 million square metres). Among these 28 projects, the sales of the underlying properties of 9 projects have not yet commenced as at 30 June 2011.

## PURE PROPERTY PLANNING AND CONSULTANCY BUSINESS

During the period under review, the Group also committed to develop in the pure property planning and consultancy business. During the six months ended 30 June 2011, the Group provided pure property planning and consultancy services for 5 property development projects (six months ended 30 June 2010: 3 projects) and recorded pure planning and consultancy revenue of approximately RMB1,837,000, represented approximately 15.6% of the unaudited total revenue of the Group (six months ended 30 June 2010: revenue of approximately RMB574,000 or 3.5%).

## FUTURE PROSPECTS

As at the end of June 2011, there were more property inventories in the property market in Mainland China than that as at the end of 2010. Some investors remained cautious and took longer term of view on the market before taking any actions. It is expected that the government will push forward and further enhance the implementation of property policies and put more efforts in the construction of social housing. Therefore, the second and third-tier cities where property price had increased at an excessive speed may become the subject of the next round of market adjustments to be implemented by the PRC government. Given the sufficient supply in real estate in various cities across the country, and in light of the growing amount of property inventories and liquidity strain faced by developers, the management expects that the pressure in the market will intensify and there may be price reduction by some developers to boost sales, and therefore the number of transactions recorded would likely increase in the second half of the year. As the process of urbanization in the PRC goes on and future demand from sincere buyers remains, it is expected that the sales of properties may substantially increase soon after the property market has been adjusted to a more reasonable and acceptable price level. Currently, the Group is making more efforts to develop its pure planning and consultation business as well as to participate and identify more opportunities in property development in order to improve the profitability of the Group in the future.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, the Group had unaudited net current assets of approximately RMB67.20 million (31 December 2010: RMB82.00 million), unaudited total assets of approximately RMB103.12 million (31 December 2010: RMB108.22 million) and unaudited shareholders' funds of approximately RMB70.91 million (31 December 2010: RMB85.06 million).

As at 30 June 2011, the unaudited bank and cash balances of the Group amounted to approximately RMB26.23 million (31 December 2010: RMB17.20 million).

## GEARING RATIO

The Group had a short term borrowing of RMB7.90 million as at 30 June 2011 (31 December 2010: RMB10.00 million). As at 30 June 2011, the Group's gearing ratio was 11.1% (31 December 2010: 11.8%).

## PLEDGED ASSETS

As at 30 June 2011, the Group did not pledge or charge any property, plant or equipment to secure any loans or bank facilities of the Group (31 December 2010: 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 2011, the Group had a total of 210 staff (31 December 2010: 268 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 the 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 (the "CG Code") as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2011, except for code provision A2.1 of the CG Code regarding the responsibilities between the chairman and chief executive officer ("CEO") which have not been segregated.

## CORPORATE GOVERNANCE *(Continued)*

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 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 (the "Model Code") as set out in Appendix 10 to the Listing Rules. 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 2011.

## 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 2011 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 2011 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 2011 were approved by the Board on 27 August 2011.

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

Hong Kong, 27 August 2011

*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.*