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 2014

The board (the "Board") of directors (the "Directors") of Fortune Sun (China) Holdings Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2014 together with the comparative figures for 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2014

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

1. BASIS OF PREPARATION

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

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

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current period and prior years.

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

3. REVENUE AND SEGMENT INFORMATION

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

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Comprehensive property consultancy and sales agency service projects	**6,522**	14,511
Pure property planning and consultancy service projects	**757**	737
	7,279	15,248

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

The accounting policies of the operating segment are same as those described in the Group's consolidated financial statements for the year ended 31 December 2013.

4. INCOME TAX EXPENSE

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

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

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

5. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Auditor's remuneration	**158**	161
Interest income	**(288)**	(171)
Depreciation of property, plant and equipment	**260**	438
Depreciation of investment properties	**46**	47
Directors' remuneration	**1,131**	1,173
Exchange loss, net	**5**	17
Loss on disposals of property, plant and equipment	**6**	11
Operating lease charges on land and buildings	**1,534**	1,399
(Reversal of allowance)/allowance for		
– Trade receivables (*)	**(338)**	848
– Trade deposits (*)	**(864)**	24
	(1,202)	872
Staff costs (including directors' remuneration)		
– Fees, salaries, bonus and allowances	**5,872**	6,339
– Retirement benefits scheme contributions	**1,006**	946
	6,878	7,285

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

6. DIVIDENDS

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

7. LOSS PER SHARE

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

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary shares during the two periods ended 30 June 2014 and 2013.

8. TRADE RECEIVABLES

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

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

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

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

9. TRADE DEPOSITS

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

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

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

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

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

10. OTHER RECEIVABLES

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

11. OTHER LOAN

At 30 June 2014 and 31 December 2013, the other loan from an unrelated company is denominated in RMB, interest-bearing at a floating interest rate based on twice of the benchmark interest rate for RMB loans of the same periods from financial institutions announced by the People's Bank of China, thus exposes the Group to cash flow interest rate risk, and will be repayable on or before December 2014. The other loan is secured by the Group's investment properties.

12. COMMITMENTS

(i) Operating lease commitments

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

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

(ii) Other commitment

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

COMPREHENSIVE PROPERTY CONSULTANCY AND SALES AGENCY BUSINESS

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

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

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

PURE PROPERTY PLANNING AND CONSULTANCY BUSINESS

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

PROSPECTS AND OUTLOOK

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

INDEBTEDNESS AND CHARGE ON ASSETS

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

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

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

FOREIGN EXCHANGE RISKS

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

INTEREST RATE RISKS

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

MAJOR INVESTMENTS

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

CONTINGENT LIABILITIES

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

CAPITAL AND OTHER COMMITMENTS

The Group had no material capital commitments as at 30 June 2014 (31 December 2013: Nil). The details to other commitments are provided in note 12 to the interim condensed consolidated financial statements.

STAFF AND EMOLUMENT POLICY

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

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

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

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, 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, the Directors consider that the Company has complied with the code provisions set out in the CG Code during the six months ended 30 June 2014.

Pursuant to code provision A.2.1 of the CG Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. For the period under review, the Company did not have a separate chairman and chief executive, with Mr. Chiang Chen Feng performing these two roles. The Board believes that vesting both the roles of chairman and chief executive in the same person has the benefit of ensuring consistent leadership within the Group, and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and efficiently.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 to the Listing Rules. 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 during the six months ended 30 June 2014.

REVIEW OF ACCOUNTS

The Company has established an audit committee (the "Audit Committee") with written terms of reference pursuant to the requirements of the CG Code and Rule 3.21 of the Listing Rules. The Audit Committee comprises all three existing independent non-executive Directors, namely Mr. Ng Wai Hung, Mr. Cui Shi Wei, and Dr. Cheng Chi Pang. Dr. Cheng Chi Pang is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 including the accounting, internal control and financial reporting issues. In carrying out this review, the Audit Committee has relied on a review conducted by the Company's external auditor in accordance with certain selected procedures based on those required under Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as obtaining reports from the management. The Audit Committee has not undertaken detailed independent audit checks.

At the request of the Directors, the Company's external auditor, RSM Nelson Wheeler, has carried out a review on the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2014 in accordance with certain procedures of Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 were approved by the Board on 25 August 2014.

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

Hong Kong, 25 August 2014

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.