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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

The board (the "Board") of directors (the "Directors") of Fortune Sun (China) Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2011 together with the comparative figures for 2010 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Note	**2011** ***RMB'000***	2010 *RMB'000*
Revenue	*4*	**19,075**	33,727
Business tax and other levies		**(1,053)**	(1,755)
Cost of services rendered		**(31,297)**	(40,043)
Gross loss		**(13,275)**	(8,071)
Other income	*5*	**296**	9,568
Operating and administrative expenses		**(16,142)**	(15,180)
Loss from operations		**(29,121)**	(13,683)
Finance cost – loan interest		**(880)**	(20)
Loss before tax		**(30,001)**	(13,703)
Income tax credit	*7*	**1,837**	4,188
Loss for the year attributable to owners of the Company	*8*	**(28,164)**	(9,515)
		RMB cents	*RMB cents*
Loss per share	*10*		
Basic		**(14.05)**	(4.75)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011	2010
	RMB'000	*RMB'000*
Loss for the year	**(28,164)**	(9,515)
Other comprehensive income:		
Exchange differences on translating foreign operations	**(188)**	(130)
Other comprehensive income for the year, net of tax	**(188)**	(130)
Total comprehensive income for the year attributable to owners of the Company	**(28,352)**	(9,645)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment		**2,499**	3,361
Investment properties	*11*	**3,897**	3,990
Golf club membership		**291**	291
Available-for-sale financial assets	*12*	**1,500**	1,500
		8,187	9,142
Current assets			
Trade receivables	*13*	**17,448**	29,155
Trade deposits	*14*	**17,995**	28,980
Prepayments and other deposits		**2,042**	3,653
Other receivables	*15*	**18,584**	19,745
Current tax assets		**–**	344
Bank and cash balances		**13,204**	17,203
		69,273	99,080
Current liabilities			
Accruals and other payables		**8,510**	7,083
Other loan	*16*	**–**	10,000
		8,510	17,083
Net current assets		**60,763**	81,997
Total assets less current liabilities		**68,950**	91,139
Non-current liabilities			
Other loan	*16*	**8,000**	–
Deferred tax liabilities		**4,247**	6,084
		12,247	6,084
NET ASSETS		**56,703**	85,055
Capital and reserves			
Share capital		**20,644**	20,644
Reserves		**36,059**	64,411
TOTAL EQUITY		**56,703**	85,055

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. GENERAL INFORMATION

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. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 5 July 2006.

The principal activity of the Company is investment holding. The Group is principally engaged in providing property consultancy and sales agency services for the primary property market in the People's Republic of China (the "PRC").

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange and by the Hong Kong Companies Ordinance. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations.

These consolidated financial statements have been prepared under the historical cost convention.

In preparing these consolidated financial statements, the Directors have given consideration to the liquidity of the Group and its ability to meet its ongoing obligations. The Group incurred a loss attributable to the owners of the Company of approximately RMB28,164,000 and had net cash outflow from operating activities of approximately RMB1,068,000 for the year ended 31 December 2011. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. In light of these conditions, the Directors have prepared a cash flow forecast for the next twelve months from 31 December 2011 (the "Cash Flow Forecast") based on the key underlying assumptions (the "Assumptions") which include the followings:

(i) there will be timely repayment schedules from the property developers on the trade deposits as well as the estimated agency income;

(ii) the Directors will adopt a series of cost control measures to reduce various cost of services; and

(iii) the Directors will dispose of all of the investment properties of the Group when required.

Based on the results of the Cash Flow Forecast, the Directors are of the opinion that the Group is able to generate sufficient cash flows from its operations and are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to generate sufficient cash flows in accordance with the Cash Flow Forecast, the Group might not be able to continue its business as a going concern. Accordingly, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. ADOPTION OF NEW AND REVISED HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2011. 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 year 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.

4. REVENUE

The Group's revenue which represents income from provision of services is as follows:

	2011	2010
	RMB'000	*RMB'000*
Comprehensive property consultancy and sales agency service projects	**15,381**	32,287
Pure property planning and consultancy service projects	**3,694**	1,440
	19,075	33,727

5. OTHER INCOME

	2011	2010
	RMB'000	*RMB'000*
Interest income	**227**	138
Gain on disposals of investment properties	**–**	805
Gain on disposals of property, plant and equipment	**21**	–
Reversal of impairment of trade receivables	**–**	3,183
Reversal of impairment of trade deposits	**–**	1,603
Compensation income	**–**	2,520
Sundry income	**48**	1,319
	296	9,568

6. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group has carried on a single business in a single geographical location, 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. Accordingly, there is only one single reportable segment of the Group which is regularly reviewed by the chief operating decision maker.

Revenue from major customers

	2011	2010
	RMB'000	*RMB'000*
Customer a	**8,019**	5,255
Customer b	**2,150**	–
Customer c	**1,906**	–
Customer d	**1,670**	–
Customer e	**–**	6,808
Customer f	**–**	4,936
Customer g	**–**	3,251

7. INCOME TAX CREDIT

	2011	2010
	RMB'000	*RMB'000*
Current tax – PRC enterprise income tax	**–**	–
Deferred tax	**(1,837)**	(4,188)
Income tax credit	**(1,837)**	(4,188)

7. INCOME TAX CREDIT *(Continued)*

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year (2010: RMB Nil).

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

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% (2010: 22%) PRC enterprise income tax during the year. No PRC enterprise income tax is required since all the PRC subsidiaries have no assessable profit for the year (2010: RMB Nil).

The reconciliation between the income tax credit and the product of loss before tax multiplied by the PRC enterprise income tax rate is as follows:

	2011	2010
	RMB'000	*RMB'000*
Loss before tax	**(30,001)**	(13,703)
Tax at the domestic income tax rate of 24% (2010: 22%)	**(7,200)**	(3,014)
Tax effect of income that is not taxable	**(60)**	(1,594)
Tax effect of expenses that are not deductible	**1,393**	679
Tax effect of tax losses not recognised	**3,860**	124
Tax effect of utilisation of tax losses not previously recognised	**–**	(889)
Difference in deferred tax liabilities arising from the change of tax rate	**170**	506
Income tax credit	**(1,837)**	(4,188)

8. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2011	2010
	RMB'000	*RMB'000*
Auditor's remuneration	**571**	587
Depreciation of property, plant and equipment	**932**	789
Depreciation of investment properties	**93**	84
Exchange gain, net	**(124)**	(185)
Gain on disposals of investment properties	**–**	(805)
Gain on disposals of property, plant and equipment	**(21)**	–
Written off of property, plant and equipment	**28**	4
Staff costs (including directors' remuneration)		
– Fees, salaries, bonus and allowances	**8,789**	8,904
– Retirement benefits scheme contributions	**1,948**	2,010
– Equity-settled share-based payments	**–**	137
Operating lease charges on land and buildings	**2,595**	4,136
Written off of other receivables	**–**	161
Allowance for/(reversal of) impairment		
– Trade receivables	**1,520**	(3,183)
– Trade deposits	**930**	(1,603)
– Other receivables	**(144)**	–

9. DIVIDEND

On 26 March 2012, the Directors resolved not to recommend the payment of a final dividend for the year ended 31 December 2011 to the shareholders of the Company (2010: RMB Nil).

10. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately RMB28,164,000 (2010: RMB9,515,000) and the weighted average number of ordinary shares of 200,470,000 (2010: 200,470,000) in issue during the year.

(b) Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary share during the two years ended 31 December 2011 and 2010.

11. INVESTMENT PROPERTIES

An independent professionally qualified valuer, Asset Appraisal Limited, is of the opinion that, had the Group's investment properties been carried at their fair values, the amounts would be approximately RMB8,822,000 (2010: RMB7,650,000). Asset Appraisal Limited is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar properties in recent locations. Valuations were based on an open market basis.

As at 31 December 2011, all the investment properties had been pledged as security for the Group's other loan amounted to RMB8,000,000 (2010: RMB Nil), details of which is set out in note 16 to the consolidated financial statements.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2011	2010
	RMB'000	*RMB'000*
Unlisted investment, at cost	**1,500**	1,500

The above unlisted investment represents the Group's 3% equity interest in Shanghai Hengda Group (Jiangsu) Investment Co., Ltd., a private entity established in the PRC.

Unlisted investment with carrying amount of RMB1,500,000 is carried at cost as they do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

13. TRADE RECEIVABLES

	Group	
	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**22,506**	32,693
Less: Allowance for impairment	**(5,058)**	(3,538)
	17,448	29,155

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

13. TRADE RECEIVABLES *(Continued)*

The credit period granted to trade customers generally ranges 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:

	2011	2010
	RMB'000	*RMB'000*
Within 90 days	**3,408**	5,964
Between 91 to 180 days	**2,013**	1,899
Between 181 to 365 days	**4,052**	4,702
Between 1 to 2 years	**6,205**	10,808
Over 2 years	**1,770**	5,782
	17,448	29,155

Movement in the allowance for impairment of trade receivables is as follows:

	2011	2010
	RMB'000	*RMB'000*
At 1 January	**3,538**	6,721
Allowance/(reversal) for the year	**1,520**	(3,183)
At 31 December	**5,058**	3,538

At the end of the reporting period, the Group reviews receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2011, the Group has determined trade receivables of approximately RMB5,058,000 (2010: RMB3,538,000) as individually impaired. The impaired trade receivables are due from the individual customers which are experiencing financial difficulties and are in default or delinquency of payments.

The carrying amounts of the Group's trade receivables are denominated in RMB.

As of 31 December 2011, trade receivables of approximately RMB14,040,000 (2010: RMB23,191,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2011	2010
	RMB'000	*RMB'000*
Up to 3 months	**2,013**	1,899
4 to 9 months	**4,052**	4,702
10 to 21 months	**6,205**	10,808
More than 21 months	**1,770**	5,782
	14,040	23,191

13. TRADE RECEIVABLES *(Continued)*

Trade receivables that were past due but not impaired related to a number of diversified customers having a good track record with the Group. Based on past experience, the management believes that no further impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Except for the gross balance of approximately RMB6,089,000 (2010: RMB13,403,000) in which the customer used their properties as collateral for the balance due to the Group and the Group becomes the first (2010: second) mortgagee against the properties, the Group does not hold any collateral over the remaining balances.

14. TRADE DEPOSITS

	Group	
	2011	2010
	RMB'000	*RMB'000*
Trade deposits	**23,583**	33,638
Less: Allowance for impairment	**(5,588)**	(4,658)
	17,995	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.

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) at the end of the reporting period is as follows:

	2011	2010
	RMB'000	*RMB'000*
Within 90 days	**–**	17
Between 91 and 180 days	**–**	258
Between 181 and 365 days	**–**	637
Between 1 to 2 years	**417**	891
Between 2 to 3 years	**833**	17,726
Over 3 years	**16,745**	9,451
	17,995	28,980

14. TRADE DEPOSITS *(Continued)*

Movement in the allowance for impairment of trade deposits is as follows:

	2011	2010
	RMB'000	*RMB'000*
At 1 January	**4,658**	6,261
Allowance/(reversal) for the year	**930**	(1,603)
At 31 December	**5,588**	4,658

At the end of the reporting period, the Group reviews the trade deposits for evidence of impairment on both an individual and collective basis. As at 31 December 2011, the Group has determined trade deposits of approximately RMB5,588,000 (2010: RMB4,658,000) as individually impaired. The impaired trade deposits are due from the individual developers which are experiencing financial difficulties and are in default or delinquency of payments.

As of 31 December 2011, trade deposits of approximately RMB10,000,000 (2010: RMB112,000) were past due but not impaired. The ageing analysis of these trade deposits is as follows:

	2011	2010
	RMB'000	*RMB'000*
Up to 3 months	**10,000**	86
4 to 9 months	**–**	–
9 months or above	**–**	26
	10,000	112

Trade deposits that were past due but not impaired related to a number of diversified customers having a good track record with the Group. Based on past experience, management believes that no further impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. Except for the gross balance of RMB20,000,000 (2010: RMB20,000,000) in which the customer used their properties as collateral for the balance due to the Group and the Group becomes the first (2010: second) mortgagee against the properties, the Group does not hold any collateral over the remaining balances.

15. OTHER RECEIVABLES

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

16. OTHER LOAN

As at 31 December 2011, 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 disclosed in note 11 to the consolidated financial statements.

As at 31 December 2010, the other loan from an unrelated company was denominated in RMB, interest-bearing at a fixed interest rate of 10.62% p.a., thus exposed the Group to fair value interest rate risk, and was repayable on or before December 2011. The other loan as at 31 December 2010 was unconditional guaranteed by an independent third party and was fully settled during the year.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

The following is an extract from the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2011.

"Basis for disclaimer of opinion

Material uncertainty relating to going concern

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to the owners of the Company of approximately RMB28,164,000 and had net cash outflow from operating activities of approximately RMB1,068,000 for the year ended 31 December 2011. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on how accurate the directors are in estimating all the Assumptions as mentioned in note 2 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that would result from the failure to achieve the Assumptions. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements. However, in view of the extent of the uncertainty relating to the Assumptions, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

Disclaimer of opinion: disclaimer on view given by consolidated financial statements

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance."

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND BUSINESS REVIEW

In 2010, the Chinese government implemented a series of property market adjustment measures in order to curb the soaring housing prices. In 2011, the Chinese government continued along this line by launching administrative and economic policies such as restriction on house purchases, housing price and mortgage loans on a nationwide basis, the extension of the construction scale of social security housing and the increase of interest rate for three times and commercial bank's reserve requirement ratio for six times. Consequentially, properties consumers in China became more prudent, causing a drastic drop in the sales of commodity housing. The Real Estate Climate Index of the country dropped from 103 in March 2011 to 99 in December 2011. Such poor market sentiment caused commensurate downturns in the investment of developed properties in the PRC in 2011. The growth rate of property development investment decreased from 33.2% in 2010 to 27.9%, and the growth rate of areas of commodity housing sold decreased from 10.6% in 2010 to 4.9%. In conclusion, 2011 was in fact an unfavourable year for both the real estate and agency sectors.

The revenue of the Group for 2011 amounted to approximately RMB19,075,000, representing a decrease of 43.4% as compared with approximately RMB33,727,000 in 2010. The decrease was mainly attributable to PRC developers' decisions in postponing development projects or property sales, not to mention termination of such projects. Restrictions on house purchases and tightened credit posed immense difficulties to the approval of mortgage loans hence slowing down the sales progress. The Group's commission income generated from sales premium also decreased significantly as a result of the stringent government measures. The saleable area sold under the comprehensive property consultancy and sales agency service projects undertaken by the Group in 2011 decreased by approximately 19.3% as compared with that in 2010. For the year under review, the revenue generated from comprehensive property consultancy and sales agency service projects decreased by 52.36% to approximately RMB15,381,000 from approximately RMB32,287,000 in 2010.

Regarding the Group's operations in 2011 on a geographical sense, while maintaining a strong focus on Jiangsu Province, the Group had strategically shifted its business focus from first-tier cities such as Shanghai to Hubei Province, in order to minimize possible negative impact brought by the macro housing prices adjustment measures. The proportion of revenue attributable to the comprehensive property consultancy and sales agency service projects from these two provinces increased to approximately 71.1% from approximately 54.4% in 2010. During the year under review, the Group had also actively sought opportunities in the business products segments to improve its revenue base. For instance, the Group had undertaken 8 pure property planning and consultancy service projects (2010: 4 projects), increasing the revenue generated in this business segment by approximately 156.5% from that in 2010.

The gross loss margin of the Group was approximately 69.6% for the year ended 31 December 2011 (2010: approximately 23.9%), which was mainly attributable to less revenue generated from operations during 2011. The loss attributable to the owners of the Company increased to approximately RMB28,164,000 in 2011 (2010: approximately RMB9,515,000).

COMPREHENSIVE PROPERTY CONSULTANCY AND AGENCY BUSINESS

The provision of comprehensive property consultancy and sales agency services for the primary property market in the PRC is the core business of the Group. In 2011, the turnover of the Group was generated from 14 comprehensive property consultancy and sales agency service projects (2010: 22 projects) with approximately 247,000 square metres (2010: approximately 306,000 square metres) of total saleable gross floor areas of the relevant underlying projects. The reported revenue from these comprehensive property consultancy and sales agency service projects for the year ended 31 December 2011 was approximately RMB15,381,000, representing approximately 80.6% of the total turnover of the Group (2010: approximately RMB32,287,000, representing approximately 95.7% of the turnover).

As at 31 December 2011, the Group had 32 comprehensive property consultancy and sales agency service projects on hand with a total unsold gross floor areas of approximately 3,995,000 square metres (2010: approximately 4,210,000 square metres). Among these 32 projects, sales of the underlying properties of 8 projects have not yet commenced as at 31 December 2011.

PURE PROPERTY PLANNING AND CONSULTANCY BUSINESS

During the year ended 31 December 2011, the Group actively expanded the pure property planning and consultancy business. With 8 pure property planning and consultancy service projects in 2011 (2010: 4 projects), the revenue generated by the Group for the year 2011 in this business increased by approximately 156.5% to RMB3,694,000 (2010: RMB1,440,000), which represents about 19.4% of the total revenue for the year of 2011.

PROSPECTS

The year of 2011 was marked by restrained demand in property investment in light of the stringent government measures imposed. Although the soaring property prices have started to face resistance, the central government had reiterated in the Central Economic Working Conference in December 2011 that the adjustment policies would most likely to continue for a certain period of time, in order to prevent the rebound of housing prices and to strive to bring the housing prices down to a reasonable level.

Looking forward to 2012, the property market will most likely to continue to have an unoptimistic outlook with the Chinese government's construction of about seven million social security housing units and the expansion of scale of property tax reform. Restrictions on house purchases and price will persist, although the requirements of down-payment ratio, interest rate and household register may be loosened. Nevertheless, the supply of ordinary commodity properties and the number of the first-time home buyers may increase, hence there may be minor adjustments to the present measures to accommodate solid housing demand. The Group will continue its cooperation with existing clients targeting on ordinary commodity housing, and look for more development opportunities in the second and third-tier cities that are in the process of urbanization. The Group will strive to secure property consultancy and sales agency service projects, as well as promoting its planning services in order to further broaden the Group's revenue base.

2012 will be a year for the Group to increase revenue and to reduce costs. The Group will strive to achieve a break-even position through enhanced budget management, cost control and reduction in operating costs. The management will also continue to explore new business opportunities as alternative sources of credit or capital in order to attain a sustainable development for the Group.

LIQUIDITY AND FINANCIAL RESOURCES

In the year of 2011, the Group's source of funds was mainly from cash generated from operations.

As at 31 December 2011, the Group had net current assets of approximately RMB60,763,000 (2010: approximately RMB81,997,000), total assets of approximately RMB77,460,000 (2010: approximately RMB108,222,000) and shareholders' funds of approximately RMB56,703,000 (2010: approximately RMB85,055,000).

As at 31 December 2011, the bank and cash balances of the Group amounted to approximately RMB13,204,000 (2010: approximately RMB17,203,000).

BANK BORROWINGS AND OVERDRAFTS

The Group had no bank borrowings or overdrafts as at 31 December 2011 (2010: RMB Nil).

INDEBTEDNESS

The Group did not have any short term borrowing as at 31 December 2011 (2010: RMB10,000,000) and had long term borrowings of RMB8,000,000 (2010: RMB Nil) in total which will mature in December 2014 and are secured by the investment properties of the Group.

As at 31 December 2011, the Group had total borrowings of RMB8,000,000. The gearing ratio of the Group was 10.33% (2010: 9.24%).

FOREIGN EXCHANGE RISKS

As the Group's sales are denominated in Renminbi, the Group's purchases and expenses are either denominated in Renminbi or Hong Kong dollars, and there is no significant foreign currency borrowings, the Group's currency fluctuation risk is considered insignificant. The Group currently does not have a foreign currency hedging policy. However, the management continuously monitors the 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 year of 2011, the People's Bank of China raised the benchmark interest rate for RMB loans for three times, from 5.85% at the beginning of the period to 6.65% by the end of the period. The Group's exposure to interest rate risk exposure mainly stemmed from fluctuations of borrowing rates for the Group's debts. Interest rate hikes will increase the cost of borrowings of the Group.

MAJOR INVESTMENTS

For the year ended 31 December 2011, save for the Group's 3% equity interest in Shanghai Hengda Group (Jiangsu) Investment Co., Ltd. as set out in note 12 to the consolidated financial statements and investment properties held by the Group, no other significant investments had been made by the Group.

SETTLEMENT OF 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) (the "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 Fu Yang Property Consultant Co., Limited (a wholly-owned subsidiary of the Company) and two independent third parties 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").

An application to withdraw the Claim was submitted to the Court by the Current Customer on 22 September 2011 and approved by the Court on 9 October 2011. The Court declared that all related legal expenses were to be borne by the Current Customer.

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 31 December 2011 (2010: RMB Nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2011 (2010: RMB Nil).

STAFF

As at 31 December 2011, the Group had a total of 243 staff (2010: 268 staff), whose remuneration and benefits are determined based on market rates, state policies and individual performance.

CHARGE ON ASSETS

As at 31 December 2011, the interest-bearing other loan was secured by all the investment properties of the Group with carrying amount of RMB3,897,000 (2010: RMB Nil).

CORPORATE GOVERNANCE PRACTICES

The Company has adopted and complied 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 year ended 31 December 2011, except for the deviation from code provision A.2.1 of the CG Code regarding the segregation of responsibilities between the chairman and chief executive officer ("CEO") of the Company.

The Company does not have a separate chairman and CEO, with Mr. Chiang Chen Feng currently performing these two roles. The Board believes that vesting both the roles of 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 DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors have confirmed that they have fully complied with the required standards set out in the Model Code during the year ended 31 December 2011.

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") with written terms of reference and comprising all three independent non-executive Directors. The Audit Committee was set up for the purposes of reviewing and supervising the financial reporting process and internal control procedures of the Group and regulating the financial reporting procedures, internal controls and risk management system of the Group. It is responsible for making recommendations to the Board for the appointment, reappointment or removal of the external auditor and also reviews and monitors the external auditor's independence and objectivity as well as the effectiveness of the audit process.

The Group's annual results for the year ended 31 December 2011 had been reviewed by the Audit Committee.

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 year ended 31 December 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 13 June 2012 to Friday, 15 June 2012 (both days inclusive) during which period no transfer of shares will be registered.

In order to qualify for attending and voting at the 2011 Annual General Meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4.30 p.m. on Tuesday, 12 June 2012.

PUBLICATION OF THE RESULTS AND ANNUAL REPORT

The results announcement will be published on the Company's website (http://www.fortune-sun.com) and the Stock Exchange's website (http://www.hkexnews.hk). The 2011 Annual Report will be dispatched to the shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange in due course.

2011 ANNUAL GENERAL MEETING

It is proposed that the 2011 Annual General Meeting will be held on Friday, 15 June 2012. A notice convening the 2011 Annual General Meeting will be published on the Company's website (http://www.fortune-sun.com) and the Stock Exchange's website (http://www.hkexnews.hk) and will be dispatched to the shareholders of the Company accordingly.

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

Hong Kong, 26 March 2012

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.