

Company Registration No. CT-140095

# 1<sup>ST</sup> QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS' PERIOD ENDED 31 MARCH 2008

# PART1 INFORMATION REQUIRED FOR ANNOUNCEMENT OF QUARTERLY (Q1, Q2 & Q3), FULL YEAR RESULTS

1.(a)(i) A profit and loss statement for the group together with a comparative statement for the corresponding period of the immediate preceding financial year

|   | The Group |          |        |
|---|-----------|----------|--------|
|   | Q1        | Q1       |        |
|   | 2008      | 2007     | %      |
|   | RMB'000   | RMB'000  | Change |
| Revenue   | 94,120    | 115,018  | (18)   |
| Cost of sales   | (70,533)  | (82,116) | (14)   |
| Gross profit  | 23,587    | 32,902   | (28)   |
| Investment income from available-for-sale investments | 49,600    | - ,      | N/M    |
| Other operating income/(expenses)                     | 1,694     | (764)    | N/M    |
| General and administrative expenses                   | (9,668)   | (8,742)  | 11     |
| Selling and distribution expenses                     | (3,378)   | (2,282)  | 48     |
| Operating profit                                      | 61,835    | 21,114   | 193    |
| Non-operating income                                  | 32,201    | 467      | N/M    |
| Release of negative goodwill                          | · -       | 1,058    | (100)  |
| Finance costs   | (19,753)  | (5,311)  | ` 272  |
| Profit before tax                                     | 74,283    | 17,328   | 329    |
| Income tax expense                                    | (5,041)   | (9,854)  | (49)   |
| Net profit for the period                             | 69,242    | 7,474    | 826    |
| Attributable to:                                      |           |          |        |
| Equity holders of the company                         | 69,549    | 5,293    | 1214   |
| Minority interests                                    | (307)     | 2,181    | N/M    |
|   | 69,242    | 7,474    | 826    |

<sup>&</sup>quot;% Change" denotes increase/(decrease) in the relevant profit or loss item as compared with the comparative figure and "N/M" denotes "Not meaningful".

# 1.(a)(ii) The accompanying notes to the financial statements form an integral part of the financial statements

|   | The Group             |                       |             |
|---|-----------------------|-----------------------|-------------|
|   | Q1<br>2008<br>RMB'000 | Q1<br>2007<br>RMB'000 | %<br>Change |
| Profit before tax has been arrived at after charging/(crediting): |                       |                       |             |
| Amortization of land use rights                                   | 4                     | 4                     | -           |
| Depreciation of property, plant and equipment                     | 480                   | 413                   | 16          |
| Foreign currency exchange gain                                    | (32,163)              | (433)                 | N/M         |
| Interest income   | (2,012)               | (205)                 | 881         |
| Interest expenses   | 19,753                | 5,311                 | 272         |
| Investment income from available-for-sales investments            | (49,600)              | -                     | N/M         |
| Loss on disposal of property, plant and equipment                 |                       | 93                    | N/M         |

<sup>&</sup>quot;% Change" denotes increase/(decrease) in the relevant profit or loss item as compared with the comparative figure and "N/M" denotes "Not meaningful".

# 1.(b)(i) A balance sheet (for the issuer and group) together with a comparative statement as at the end of the immediately preceding financial year

|   | The Group |   | Т           | The Company |  |
|---|-----------|---|-------------|-------------|--|
|   | 31 March  | 31 December                             |             | 31 December |  |
|   | 2008      | 2007                                    | 2008        | 2007        |  |
|   | RMB'000   | RMB'000                                 | RMB'000     | RMB'000     |  |
| Non-current assets                                    |           |   |             |             |  |
| Property, plant and equipment                         | 10,679    | 9,726                                   | 13          | 13          |  |
| Land use rights                                       | 542       | 547                                     | -           | -           |  |
| Investment properties Deposit for investment property | 397,740   | 397,740                                 | -           | -           |  |
| renovation  | 55,000    | 55,000                                  | _           | _           |  |
| Investments in subsidiaries                           | 55,000    | 55,000                                  | 197,834     | 197,834     |  |
| Available-for-sale investments                        | 89,415    | 89,415                                  | 107,004     | -           |  |
| Thanasis for sais investments                         |           |   | <del></del> |             |  |
|   | 553,376   | 552,428                                 | 197,847     | 197,847     |  |
| Current assets  |           | <del></del>                             |             | <del></del> |  |
| Completed properties for sale                         | 54,993    | 31,937                                  | -           | -           |  |
| Properties under development for sale                 | 1,169,813 | 1,157,508                               | -           | -           |  |
| Trade receivables                                     | 32,211    | 31,701                                  | -           | -           |  |
| Prepayments and other receivables                     | 361,754   | 109,918                                 | 182         | 182         |  |
| Amounts due from subsidiaries                         | -         | -                                       | 522,472     | 521,938     |  |
| Amounts due from related parties <sup>^</sup>         | 19,012    | 19,781                                  | -           | -           |  |
| Pledged bank deposits                                 | 72,473    | 74,799                                  | -           | -           |  |
| Dealthalassa  | 000 044   | 500 550                                 | 005         | 000         |  |
| Bank balances and cash                                | 283,311   | 509,559                                 | <u>265</u>  | 303         |  |
|   | 1,993,567 | 1,935,203                               | 522,919     | 522,423     |  |
| Current liabilities                                   | 1,993,307 | 1,933,203                               | 522,919     | 322,423     |  |
| Trade payables  | 28,081    | 26,065                                  | _           | _           |  |
| Sales deposits  | 120,403   | 115,719                                 | _           | _           |  |
| Accruals and other payables                           | 200,138   | 179,090                                 | 2,256       | 2,474       |  |
| Amount due to subsidiaries                            |           | -                                       | _,          | 3,307       |  |
| Amounts due to related party^                         | 23,689    | 20,622                                  | 10,888      | 10,888      |  |
| Income tax payables                                   | 81,807    | 87,031                                  | -           | -           |  |
| Convertible bond                                      | 216,508   | 210,499                                 | 216,508     | 210,499     |  |
| Bank and other borrowings                             | 844,448   | 862,886                                 |             |             |  |
| <b>.</b>  | , -       | , |             |             |  |
|   |           |   |             |             |  |
|   | 1,515,074 | 1,501,912                               | 229,652     | 227,168     |  |
| Not some of social                                    | 470 400   | 100.001                                 | 200 007     | 005.055     |  |
| Net current assets                                    | 478,493   | 433,291                                 | 293,267     | 295,255     |  |
|   | 1,031,869 | 985,719                                 | 491,114     | 493,102     |  |
| Capital and reserves                                  | 1,031,009 | 303,713                                 | 491,114     | 490,102     |  |
| Issued capital  | 261,404   | 261,404                                 | 261,404     | 261,404     |  |
| Share premium   | 204,521   | 204,521                                 | 201,404     | 204,521     |  |
| Capital reserve                                       | 49,031    | 49,031                                  | 204,521     | 204,521     |  |
| Bond reserve  | 39,485    | 39,485                                  | 39,485      | 39,485      |  |
| Share option reserve                                  | 1,849     | 462                                     | 1,849       | 462         |  |
| Retained earnings/(Accumulated losses)                | 348,858   | 279,309                                 | (16,145)    | (12,770)    |  |
| 90 (100000000000000000000000000000000000              |           |   |             | (+=,+++)    |  |
| Equity attributable to equity holders                 |           |   |             |             |  |
| of the company  | 905,148   | 834,212                                 | 491,114     | 493,102     |  |
| Minority interests                                    | 24,667    | 47,453                                  | <u>-</u>    |             |  |
|   |           |   |             |             |  |
| Total equity  | 929,815   | 881,665                                 | 491,114     | 493,102     |  |
| Non-current liabilities                               |           |   |             |             |  |
| Bank and other borrowings                             | 18,000    | 20,000                                  | -           | -           |  |
| Deferred tax liabilities                              | 84,054    | 84,054                                  | -           |             |  |
|   |           |   |             |             |  |
|   | 102,054   | 104,054                                 |             |             |  |
|   | 4 604 665 | 005 740                                 | ***         | 400 400     |  |
|   | 1,031,869 | 985,719                                 | 491,114     | 493,102     |  |

<sup>^</sup> Amounts due from/to related parties are unsecured, interest-free and repayable on demand.

### 1.(b)(ii) Aggregate amount of borrowings and debts securities for the Group.

|   | As at<br>31 March<br>2008<br>RMB '000 | As at<br>31 December<br>2007<br>RMB '000 |
|---|---------------------------------------|--|
| Borrowings, secured   | 1,078,956                             | 1,093,385                                |
| The borrowings are repayable:<br>On demand or within one year*<br>More than one year* | 1,060,956**<br>18,000<br>1,078,956    | 1,073,385**<br>                          |

#### **Details of any collateral**

- \* The above borrowings are secured against:
  - (a) a first fixed charge in respect of the Company's investment in its wholly-owned subsidiary, Elegant Jade Enterprises Limited ("Elegant Jade") and a corporate guarantee by Elegant Jade. Elegant Jade is the holding company of all of the Group's operating subsidiaries.
  - (b) the Group's investment properties;
  - (c) a pledge over Elegant Jade's equity interests in all its direct subsidiaries;
  - (d) a charge over the assets of Elegant Jade;
  - (e) an assignment over certain shareholder loans from Elegant Jade to its direct subsidiaries; and
  - (f) the Group's properties under development for sale.
- \*\* As the Group has as at 31 December 2007 breached the interest cover and leverage ratios of the financial covenants of the convertible bond and term loan facility which it procured, these convertible bond and term loan had been reclassified as repayable on demand as at 31 December 2007. The breach arose mainly from the Group's decision to defer the sale of certain completed properties and properties under development and the deferment of completion of properties under development in 2007. As discussions with the relevant lenders for obtaining a waiver on the compliance of these financial covenants are still in progress, these borrowings remain as repayable on demand as at 31 March 2008.

# 1.(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

|   | The Group                     |                                |  |
|---|-------------------------------|--------------------------------|--|
|   | Q1<br>2008<br>RMB'000         | Q1<br>2007<br>RMB'000          |  |
| OPERATING ACTIVITIES Profit before tax  | 74,283                        | 17,328                         |  |
| Adjustments for: Depreciation of property, plant and equipment Loss on disposal of property, plant and equipment                                  | 480                           | 413<br>93                      |  |
| Release of negative goodwill<br>Investment income from available-for-sale investment<br>Share-based payment                                       | (49,600)<br>1,386             | (1,058)                        |  |
| Foreign currency exchange gain Interest income Interest expenses  | (32,111)<br>(2,012)<br>19,753 | (205)<br>5,311                 |  |
| Operating cash flows before movements in working capital Completed properties for sale Properties under development for sale                      | 12,179<br>(23,056)<br>9,517   | 21,882<br>(813)<br>(104,220)   |  |
| Land use rights Trade receivables Prepayment for land use rights  | (509)<br>(220,186)            | 14,072                         |  |
| Prepayments and other receivables Trade payables Sales deposits   | (53,129)<br>2,016<br>4,684    | 16,425<br>(26,674)<br>(28,678) |  |
| Accruals and other payables   | 21,399                        | (11,130)                       |  |
| Cash used in operations   | (247,081)                     | (119,132)                      |  |
| Income tax paid   | (10,265)                      | (11,665)                       |  |
| NET CASH USED IN OPERATING ACTIVITIES   | (257,346)                     | (130,797)                      |  |
| INVESTING ACTIVITIES  |                               |                                |  |
| Purchase of property, plant and equipment<br>Proceeds from disposal of property, plant and equipment  | (1,433)                       | (405)<br>238                   |  |
| Acquisition of subsidiary (Note 1)  Decrease in amounts due from related parties  Receipt of investment income from available-for-sale investment | 769<br>48,600                 | (6,079)                        |  |
| Increase in pledged bank deposits Interest received   | (279)<br>2,012                | (116,868)<br>205               |  |
| NET CASH FROM/(USED IN) INVESTING ACTIVITIES  | 49,669                        | (122,909)                      |  |
| FINANCING ACTIVITIES Increase in bank and other borrowings  | 24,000                        | 116,130                        |  |
| Repayment of bank borrowings Interest paid Increase/(Decrease) in amounts due to related parties  | (12,000)<br>(33,638)<br>3,067 | (4,002)<br>(286)               |  |
| NET CASH (USED)/FROM/IN FINANCING ACTIVITIES  | (18,571)                      | 111,842                        |  |
| INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS  | (226,248)                     | (141,864)                      |  |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD  | 509,559                       | 280,493                        |  |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD  | 283,311                       | 138,629                        |  |

**Note 1:** Summary of cash flows arising from the acquisition of subsidiary:

|   | The Grou | р        |
|---|----------|----------|
|   | Q1       | Q1       |
|   | 2008     | 2007     |
|   | RMB'000  | RMB'000  |
| Cash and bank balances                              | _        | 1,921    |
|   | -        | ,        |
| Other current assets                                | -        | 79,112   |
| Non-current assets                                  | -        | 377      |
| Current liabilities                                 | -        | (70,087) |
| Minority interests                                  | <u>-</u> | (2,265)  |
| Net identifiable assets and liabilities acquired    | -        | 9,058    |
| Negative goodwill on consolidation                  |          | (1,058)  |
| Purchase consideration                              | -        | 8,000    |
| Less: cash and bank balances of subsidiary acquired |          | (1,921)  |
| Net cash outflow from acquisition of subsidiary     |          | 6,079    |

1.(d)(i) statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

|  |                             |                           |           |                                | The C                      | aroup                                 |   |                                  |                  |
|--|-----------------------------|---------------------------|-----------|--------------------------------|----------------------------|---------------------------------------|---|----------------------------------|------------------|
|  | Share<br>capital<br>RMB'000 | Shar<br>premiur<br>RMB'00 | n reserve | Share option reserve RMB'000   |                            | Retained earnings                     | Attributable<br>to equity<br>holders of<br>the Company<br>RMB'000 | Minority<br>interests<br>RMB'000 | Total<br>RMB'000 |
| Balance at 1 January<br>2008             | 261,404                     | 204,52                    | 1 49,031  | 462                            | 39,485                     | 279,309                               | 834,212   | 47,453                           | 881,665          |
| Dividend paid                            | -                           |                           |           | -                              | -                          | -                                     | -   | (25,479)                         | (25,479)         |
| Incorporation of a subsidiary            | -                           |                           |           | -                              | -                          | -                                     | -   | 3,000                            | 3,000            |
| Recognition of<br>share-based<br>Payment |                             | -                         |           | 1,387                          | -                          | -                                     | 1,387   | -                                | 1,387            |
| Net profit for the period                |                             |                           | <u>-</u>  |                                | -                          | 69,549                                | 69,549  | (307)                            | 69,242           |
| Balance at 31 March<br>2008              | 261,404                     | 204,52                    | 1 49,031  | 1,849                          | 39,485                     | 348,858                               | 905,148   | 24,667                           | 929,815          |
|  |                             |                           |           |                                |                            | e Group                               | Attributable to equity  |                                  |                  |
|  | RI                          |                           |           | Capital<br>reserve<br>MB'000 F | Bond<br>reserve<br>RMB'000 | Retained<br>earnings<br>RMB'000       | holders of<br>the Company<br>RMB'000                              | Minority<br>interests<br>RMB'000 | Total<br>RMB'000 |
| Balance at 1 January 200                 | 7 2                         | 61,404                    | 204,521   | 49,031                         | 39,485                     | 265,937                               | 820,378   | 48,450                           | 868,828          |
| Acquisition of subsidiaries              | <b>;</b>                    | -                         | -         | -                              | -                          | -                                     | -   | 2,265                            | 2,265            |
| Net profit for the period                |                             |                           | <u> </u>  |                                | <u> </u>                   | 5,293                                 | 5,293   | 2,181                            | 7,474            |
| Balance at 31 March 200                  | )7 <u>2</u>                 | 61,404                    | 204,521   | 49,031                         | 39,485                     | 271,230                               | 825,671   | 52,896                           | 878,567          |
|  |                             |                           |           |                                |                            | The                                   | Company   |                                  |                  |
|  |                             |                           | RM        |                                | Share<br>remium<br>MB'000  | Share<br>option<br>reserve<br>RMB'000 | Bond Arreserve RMB'000  | ccumulated<br>losses<br>RMB'000  | Total<br>RMB'000 |
| Balance at 1 January 200                 | 8                           |                           | 2         | 61,404 2                       | .04,521                    | 462                                   | 39,485  | (12,770)                         | 493,102          |
| Recognition of share-base<br>Payment     | ed                          |                           |           | -                              | -                          | 1,387                                 | -   | -                                | 1,387            |
| Net loss for the period                  |                             |                           |           |                                | <u> </u>                   |                                       | <u>-</u>  | (3,375)                          | (3,375)          |
| Balance at 31 March 200                  | 08                          |                           | 2         | 61,404 2                       | 204,521                    | 1,849                                 | 39,485  | (16,145)                         | 491,114          |
|  |                             |                           |           | -                              | Share capital              | Share premium                         | The Company Bond reserve  | Retained earnings                | Total            |
| Delenge et 1 January 2000                | 7                           |                           |           |                                | RMB'000                    | RMB'000                               | RMB'000   | RMB'000                          | RMB'000          |
| Balance at 1 January 200                 | 1                           |                           |           |                                | 261,404                    | 204,521                               | 39,485  | 63,582                           | 568,992          |
| Net loss for the period                  | 17                          |                           |           | _                              | 261 404                    | 204 521                               |   | (9,237)                          | (9,237)          |
| Balance at 31 March 200                  | 11                          |                           |           | _                              | 261,404                    | 204,521                               | 39,485  | 54,345                           | 559,755          |

1.(d)(ii) Details of any changes in company's share capital arising from rights issue, bonus issue, share buy backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There were no movements in the Company's share capital during the three months ended 31 March 2008.

#### Convertible Bonds

On 5 December 2006, the Company issued a 7% secured subordinated US\$32 million convertible bond due 2011 ("Convertible Bond"). The Convertible Bond may be convertible into fully paid-up ordinary shares in the capital of the Company at the option of the holder, at any time on or after 6 December 2007 up to the close of business on 6 December 2011

The conversion price for the Convertible Bond is \$\$0.30 per share, subject to adjustment for, amongst other things, subdivision or consolidation of shares, bonus issues, rights issues and other dilutive events pursuant to the terms of the Convertible Bonds. Based on the unadjusted initial conversion price of \$\$0.30 per ordinary share, the Convertible Bond may be converted into 166,399,999 ordinary shares in the capital of the Company (the "Conversion Shares").

Unless previously converted, or purchased and cancelled, the Convertible Bond shall be redeemed by the Company at 100% of their principal amount on 6 December 2011. The Convertible Bond principal will be redeemed in RMB at an agreed US\$/RMB currency conversion rate.

#### Sunshine Employee Share Option Scheme

Pursuant to the Sunshine Employee Share Option Scheme, which was approved by the Company's shareholders at the Extraordinary General Meeting held on 30 April 2007, a total of 60,000,000 share options were granted to the eligible employees on 29 November 2007.

The number of ordinary shares that may be issued upon exercise of all employee share options outstanding as at 31 March 2008 was 60,000,000 (the "ESOS Shares") (31 March 2007: Nil)

1.(d)(iii) The total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 31 March 2008 As at 31 December 2007

Total number of issued ordinary shares (excluding treasury shares)

832,000,000

832,000,000

1.(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

The Company had no treasury shares as at 31 March 2008.

2. Whether the figures have been audited, or reviewed in accordance with which standard (eg. The Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard.

The figures have not been audited or reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The same accounting policies and methods of computation adopted by the Group in the audited financial statements for the year ended 31 December 2007 have been consistently applied by the Group for the periods presented.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

6. Earnings per ordinary shares of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

|   | The Group    |               |  |
|---|--------------|---------------|--|
|   | Q1           | Q1            |  |
|   | 2008         | 2007          |  |
|   | RMB'000      | RMB'000       |  |
| Net profit attributable to shareholders | 69,549       | 5,293         |  |
| Earnings per share                      |              |               |  |
| Basic (Singapore cents)                 | 1.65 cents*  | 0.13 cents*   |  |
| Diluted (Singapore cents)               | 1.41 cents** | 0.14 cents*** |  |

- \* Based on the issued share capital of 832,000,000 ordinary shares (the "Issued Shares").
- \*\* Based on 1,058,399,999 ordinary shares, being the sum of the Issued Shares, the Conversion Shares and the ESOS Shares.
- \*\*\* Based on 998,399,999 ordinary shares, being the sum of the Issued Shares and the Conversion Shares.
- 7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year

|  | The Group                   |                                | The Company                 |                                |
|--|-----------------------------|--------------------------------|-----------------------------|--------------------------------|
|  | 31 March<br>2008<br>RMB'000 | 31 December<br>2007<br>RMB'000 | 31 March<br>2008<br>RMB'000 | 31 December<br>2007<br>RMB'000 |
| Net asset value (net of minority interests) as at end of financial period/ year              | 905,148                     | 834,212                        | 491,114                     | 493,102                        |
| Net asset value per ordinary share as at the end of financial period/ year (Singapore cents) | 21.5 cents                  | 19.8 cents                     | 11.7 cents                  | 11.7 cents                     |

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the Group's business. The review must discuss any significant factors that affected the turnover, costs and earning of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period report on.

#### (a) Review of profit and loss statement of the group

#### Overview

Sunshine Holdings Limited is an award-winning Henan-based developer of residential and commercial properties. Our Group strategically focuses on building affordable quality housing for the general public in tier-2 and 3 cities which exhibit high rate of urbanization and strong end-user demand.

In accordance with the International Financial Reporting Standards ("IFRSs"), we adopt the completion method of revenue recognition. In contrast to percentage of completion method, we only recognize revenue arising from the sale of properties when the property is delivered and the completion certificate is issued by the relevant government authorities. As a result, even though we may have pre-sold our development properties, the sale will not be recorded as revenue if the above conditions are not met. Hence, our revenue and profit can be lumpy on a quarter-to-quarter basis.

Since 2007, we also carried out part of our property development activities through participation in property development projects with third parties forged through contracts. While we supervise the progress of the property development activities jointly with the relevant third party concerned, we do not influence the operating and financing operations of the projects. We expect such investments to offer the Group the opportunity for return through investment income. In accordance with IFRSs, the investments injected into such collaborations are classified as "available-for-sale investment" in the balance sheet while the investment income derived from such available-for-sale investments are recognised in the profit and loss statement as "Investment income from available-for-sale investments" when the Group's right to receive such payments is established.

The Group's income from property development activities in Q1 2008 and Q1 2007 were as follow:

|     |  | Q1 2008<br>RMB million | Q1 2007<br>RMB million |
|-----|--|------------------------|------------------------|
| (1) | Sales of developed properties (net of sales tax)           | 88.9                   | 110.8                  |
| (2) | Rental income from investment properties                   | 3.2                    | 3.3                    |
| (3) | Property management income                                 | 2.0                    | 0.9                    |
| , , | Total revenue  | 94.1                   | 115.0                  |
|     | Gross profit   | 23.6                   | 32.9                   |
|     | Add: Investment income from available-for-sale investments | 49.6                   | -                      |
|     | Total income from property development activities          | 73.2                   | 32.9                   |

Notwithstanding the decrease in our revenue and gross profit, as a whole (taking into account contribution from investment income from available-for-sale investments), our Group more than doubled its income from property development activities from RMB32.9 million in Q1 2007 to RMB 73.2 million in Q1 2008.

#### Revenue

Our revenue decreased by 18% from RMB115.0 million in Q1 2007 to RMB94.1 million in Q1 2008, as there was only one project, namely Sunlight City – Shuixie Huadu (Shangqiu) project, comprising entirely of residential units being recognized in Q1 2008 compared to three projects with revenue derived from sales of commercial and residential units being recognized in Q1 2007.

Our property management income increased by 122% from RMB0.9 million in Q1 2007 to RMB2.0 million in Q1 2008 in tandem with the increase in the number of properties under management by us.

#### Gross profit

In line with the lower revenue registered in Q1 2008, our gross profit decreased by 28% from RMB32.9 million in Q1 2007 to RMB23.6 million in Q1 2008.

Our gross profit margin decreased from 29% in Q1 2007 to 25% in Q1 2008 mainly due to two reasons. Firstly, only sales from residential units were registered in Q1 2008 while, in addition to residential units, commercial units, which command higher pricing and profit margin than residential units, were also registered in Q1 2007. Secondly, Sunlight City – Shuixie Huadu (Shangqiu) project, an accelerated project development, is itself a low margin project due to its comparatively high land cost.

Albeit the fact that sales of commercial units were recorded in Q1 2007, such sales constituted only about 1% of total revenue attained in Q1 2007. Accordingly, the gross profit margin of 29% achieved by the Group in Q1 2007 was technically low. Depending on the type, mix and location of the development concerned, we typically attain gross profit margin of more than 30% for composite developments with a significant proportion of commercial units.

#### Investment income from available-for-sale investments

Our investment income from available-for-sale investments of RMB49.6 million in Q1 2008 was derived from Xi Cheng Mei Yuan project with a total GFA of 267,530 square metres (sqm), of which about 69% had been completed todate.

#### Other operating income (excluding investment income from available-for-sale investments)

We attained an other operating income of RMB1.7 million in Q1 2008, a reversal from an other operating expense of RMB0.8 million incurred in Q1 2007, mainly as a result of interest income of RMB2 million earned from bank deposits.

#### **Operating profit**

Our operating profit nearly tripled from RMB21.1 million in Q1 2007 to RMB61.8 million in Q1 2008. This was attributed mainly to the investment income from available-for-sale investments, despite an increase in operating expenses due mainly to higher staff cost and office expenses, following the acquisition and incorporation of subsidiaries after Q1 2007, as

well as higher selling and marketing expenses incurred in promoting the pre-sale of new projects to be launched after Q1 2008.

#### Non-operating income

The significant increase in non-operating income from RMB0.5 million in Q1 2007 to RMB32.2 million in Q1 2008 was attributed mainly to foreign exchange gain on US\$-denominated loans as a result of RMB appreciation and weakened US\$ during Q1 2008.

#### **Finance costs**

Finance costs in Q1 2008 increased by RMB14.4 million from RMB5.3 million in Q1 2007 to RMB19.7 million in Q1 2008 mainly as a result of higher bank borrowings in financing project developments as well as for working capital purposes. Financing costs incurred for project developments were capitalized as part of the development costs.

#### Income tax expenses

Income tax expenses in Q1 2008 relate mainly to accrual of tax expenses (including land appreciation tax, which is computed based on the applicable rates promulgated by the local provincial tax authorities) from the operating profit generated from the sales of developed properties during the period under review.

#### Net profit attributable to equity holders of the company

With the contribution from Sunlight City – Shuixie Huadu (Shangqiu) project, investment income from available-for-sale investments and foreign exchange translation gain, our net profit attributable to our shareholders increased by more than 12-fold from RMB5.3 million in Q1 2007 to RMB69.5 million in Q1 2008.

#### (b) Review of balance sheet of the Group

#### Non-current assets

Our non-current assets increased marginally over the periods under consideration brought about by the increase in property, plant and equipment following the acquisition of assets by our newly incorporated subsidiaries.

#### **Current assets**

In order to strengthen our project pipeline, we continue to actively expand our land bank in Q1 2008. The prepayments to secure additional land use rights resulted in higher prepayments and other receivables and a decrease in bank balances and cash.

#### **Current liabilities**

Our current liabilities were comparable as at the end of the periods under consideration. The current liabilities stated as at 31 December 2007 and as at 31 March 2008 include the liability component of 5-Year US\$32 million Convertible Bond and the 3-Year US\$120 million (or approximately RMB841 million) Term Loan which will be reclassified as non-current liabilities once the waiver in respect to the compliance with certain financial covenants is granted. Discussion on the grant of the waiver is currently in progress.

#### Non-current liabilities

Our non-current liabilities decreased marginally by RMB2.0 million due to repayment of bank borrowing.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

In Q1 2008, the total area of properties sold in Henan registered year-on-year increase of 6.9% to 4.3 million sqm while the total area of properties completed amounted to 2.5 million sqm. Total income from sales of developed properties grew 9.1% from the previous corresponding period to RMB10.2 billion as demand for properties continues to exceed supply. In addition, real estate investment rose 50.8% to RMB16.5 billion, contributing 23.9% to the growth of gross city investment. In this regard, the Statistics Bureau of Henan views investments in real estate and manufacturing as important drivers for the growth of gross city investment.

Under these favorable market conditions, our project in Shangqiu, Sunlight City - Shuixie Huadu, as well as our property

development investment in Xi Cheng Mei Yuan project achieved good results and contributed significantly to the our profitability in Q1 2008. The benefits of our strategy to accelerate project development are also becoming evident in FY2008 as our projects under development, such as Yangguang Shuangxi Buluo in Luoyang, Yangguang Peninsula City in Zhoukou and project in Western District of Xinxiang, recorded good progress. We target to launch the pre-sales of several projects in Q2 and Q3 2008. This is expected to increase our group revenue and improve our cash flow in FY2008.

A summary of the projects currently under development is as follow:-

| Name of Projects  | Zoning for<br>Land Usage | Est.<br>Remaining<br>GFA (sqm) | Expected selling price (RMB/sqm)                          | Expected Completion   |
|---|--------------------------|--------------------------------|---|-----------------------|
| Shinning Holiday Shopping Centre II – Block B   | Com                      | 24,400                         | (Com) 7,000 – 12,000                                      | FY2008 <sup>(1)</sup> |
| Sunlight City – Shuixie Huadu<br>(Shangqiu Project)                                   | Res/Com                  | 19,360                         | (Res) 2,100 – 2,700<br>(Com) 5,000 – 7,200                | FY2008                |
| Yangguang Shuangxi Buluo (Luoyang Project)  | Res/Com                  | 150,000                        | (Res) 3,400 – 4,000<br>(Com) 6,000 – 8,400                | FY2008/09             |
| Zhengzhou Yuhua Mingzhucheng (Zhengzhou Yuhua Project)*                               | Res/Com                  | 430,000 <sup>(2)</sup>         | (Res) 4,500 – 5,500 <sup>(2)</sup><br>(Com) 6,800 – 8,000 | FY2009/10/11          |
| Yangguang Peninsula City (Zhoukou Project)*   | Res/Com                  | 488,000 <sup>(3)</sup>         | (Res) 2,100 – 2,600<br>(Com) 4,800 – 7,000                | FY2008/09/10          |
| Yangguang Xincheng<br>(Western District of Xinxiang<br>phase I & II <sup>(4)</sup> )* | Res/Com                  | 300,000                        | (Res) 1,500 – 1,800<br>(Com) 2,700 – 4,000                | FY2008/09             |
| Yangguang Yujing Huating (Zhong Mou New Town)*  | Res/Com                  | 109,000                        | (Res) 1,700 – 1,900 <sup>(5)</sup><br>(Com) 3,000 – 4,400 | FY2008/09             |
| Yan Ming Hu*  | Res                      | 274,000                        | (Res)9,000-13,000   | FY2008/09/10          |

<sup>\*</sup>The design and laid-out of these development projects are still at the conceptualised stage and may be modified and tailored to prevailing market demands and preferences, with the expected selling price and expected completion date revised accordingly.

#### Notes:-

- (1) We are in negotiation with a leading retailer in China on a partnership for this project as well as for the Group's other commercial property development projects. Both parties are currently exploring the feasibility of using this property through a leasing arrangement as an integrated hyper-mart as well as other viable options.
- (2) Following the proposed change in design for this residential development from villas to high-rise cum multi-storey apartments with a view to accelerate sales and increase saleable area, the selling price range and GFA for this development have been revised accordingly from RMB8,400 12,000 per square metre (psm) to RMB4,500 5,500 psm and from 240,000 sqm to 430,000 sqm respectively.
- (3) Following the proposed change in design for this residential development to include some high-rise apartments with a view to increase the saleable areas, the GFA for this development has accordingly been revised from 360,000 sqm to 488,000 sqm.
- (4) Development of the rest of Western District of Xinxiang with an aggregate GFA of about 500,000 sqm will be scheduled subsequently and accordingly to maximize yields.
- (5) Following the proposed change in design for this residential development to include more garden villas and less terraced villas, which command higher margin relative to garden villas, with a view to accelerate sales and increase saleable area, the selling price range and GFA for this development have been revised accordingly from RMB3,000 3,500 psm to RMB1,700 1,900 psm and from 97,415 sqm to 109,000 sqm respectively.

Our profit attributable to shareholders of RMB69.5 million for Q1 2008 had already outstripped that of our full year performance of RMB62.1 million for FY2007. Barring unforeseen circumstances and riding on our projects currently under development, we are optimistic about our performance for the rest of financial year ending 31 December 2008..

## 11. Dividend

(a) Current Financial Period Reported On
Any dividend declared for the current financial period reported on?

No

(b) Corresponding Period of the Immediately Preceding Financial Year
Any dividend declared for the corresponding period of the immediately preceding financial year?

No

## (c) Date payable

No applicable.

# (d) Books closure date

No applicable.

# 12. If no dividend has been declared / recommended, a statement to that effect.

No dividend has been declared or recommended for the three months ended 31 March 2008.

### BY ORDER OF THE BOARD

Zhao Zhanmei Deputy Chairman

15 May 2008



Company Registration No. CT-140095

# CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(4) OF THE LISTING MANUAL

To the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial statements of the Group and the Company for the three months ended 31 March 2008 to be false or misleading in any material aspect.

Signed for and on behalf of the Board of Directors

Zhao Zhanmei Deputy Chairman Li Bin Director

15 May 2008