

**FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR YEAR ENDED 31 DECEMBER 2008**

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

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

	<b>The Group</b>		
	<b>2008</b>	2007	%
	<b>RMB'000</b>	RMB'000	Change
Revenue	<b>205,794</b>	310,191	(34)
Cost of sales	<b>(175,309)</b>	(218,597)	(20)
Gross profit	<b>30,485</b>	91,594	(67)
Other income	<b>148,716</b>	67,848	119
(Decrease)/Increase in fair value of investment properties	<b>(132,534)</b>	16,390	N/M
Impairment loss on properties under development	<b>(116,951)</b>	-	N/M
Impairment loss on available-for-sale investments	<b>(56,640)</b>	-	N/M
Selling and distribution expenses	<b>(16,846)</b>	(20,250)	(17)
General and administrative expenses	<b>(82,550)</b>	(39,918)	107
Finance costs	<b>(98,284)</b>	(31,049)	217
(Loss)/Profit before tax	<b>(324,604)</b>	84,615	N/M
Income tax credit/(expense)	<b>13,380</b>	(22,469)	N/M
(Loss)/Profit for the year	<b>(311,224)</b>	62,146	N/M
Attributable to:			
Equity holders of the company	<b>(293,144)</b>	56,014	N/M
Minority interests	<b>(18,080)</b>	6,132	N/M
	<b>(311,224)</b>	62,146	N/M

"% 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**

	<b>The Group</b>		
	<b>2008</b>	2007	%
	<b>RMB'000</b>	RMB'000	Change
(Loss)/Profit before tax has been arrived at after charging/(crediting):			
Amortization of land use rights	<b>2,130</b>	17	12,429
Depreciation of property, plant and equipment	<b>5,142</b>	2,178	136
Foreign currency exchange gain	<b>(52,229)</b>	(14,504)	260
Gain on disposal of property, plant and equipment	-	(26)	N/M
Gain on disposal of subsidiaries	<b>(56,850)</b>	(20,194)	182
Gain on disposal of investments held for trading	-	(3,374)	N/M
Investment income from available-for-sale investments	<b>(49,600)</b>	(25,436)	95
Allowance for doubtful receivable	<b>3,428</b>	244	1,305
Recovery of bad debts	<b>244</b>	-	N/M
Loss on disposal of properties under development	<b>6,879</b>	-	N/M
Impairment loss on assets receivable	<b>2,373</b>	-	N/M
Share-based payments	<b>13,821</b>	462	2,892
Interest income	<b>(3,438)</b>	(3,288)	5
Interest expenses	<b>98,284</b>	31,049	217

*"% 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**

	<b>The Group</b>		<b>The Company</b>	
	<b>31</b>	<b>31</b>	<b>31</b>	<b>31</b>
	<b>December</b>	December	<b>December</b>	December
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000	<b>RMB'000</b>	RMB'000
<b>Non-current assets</b>				
Property, plant and equipment	<b>98,753</b>	9,726	<b>11</b>	13
Land use rights	<b>530</b>	547	-	-
Investment properties	<b>301,517</b>	397,740	-	-
Investments in subsidiaries	-	-	<b>210,330</b>	197,834
Deposit for investment property renovation	-	55,000	-	-
Deposit and other receivable	<b>7,840</b>	-	-	-
Available-for-sale investments	<b>32,775</b>	89,415	-	-
	<b>441,415</b>	<b>552,428</b>	<b>210,341</b>	<b>197,847</b>
<b>Current assets</b>				
Completed properties for sale	<b>85,250</b>	31,937	-	-
Land use rights	<b>170,905</b>	-	-	-
Properties under development for sale	<b>1,102,253</b>	1,157,508	-	-
Trade receivables	<b>9,127</b>	31,701	-	-
Inventories	<b>118</b>	-	-	-
Prepayments and other receivables	<b>171,579</b>	109,918	<b>630</b>	182
Deposit for land	<b>143,982</b>	-	-	-
Amounts due from subsidiaries	-	-	<b>574,627</b>	521,938
Amounts due from related parties <sup>^</sup>	<b>19,009</b>	19,781	-	-
Amounts due from minority shareholder of a subsidiary-secured*	<b>80,027</b>	-	-	-
Pledged bank deposits	<b>43,909</b>	74,799	-	-
Cash and bank balances	<b>106,867</b>	509,559	<b>624</b>	303
	<b>1,933,026</b>	<b>1,935,203</b>	<b>575,881</b>	<b>522,423</b>
<b>Current liabilities</b>				
Trade payables	<b>117,608</b>	26,065	-	-
Sales deposits	<b>231,729</b>	115,719	-	-
Accruals and other payables	<b>124,953</b>	179,090	<b>1,346</b>	2,474
Amounts due to subsidiaries	-	-	<b>6,152</b>	3,307
Advances from a minority shareholder	<b>5,995</b>	-	-	-
Amounts due to related parties <sup>^</sup>	<b>20,424</b>	20,622	<b>10,888</b>	10,888
Income tax payables	<b>36,787</b>	87,031	-	-
Convertible bond	<b>218,938</b>	210,499	<b>218,938</b>	210,499
Bank and other borrowings	<b>824,040</b>	862,886	-	-
	<b>1,580,474</b>	<b>1,501,912</b>	<b>237,324</b>	<b>227,168</b>
<b>Net current assets</b>	<b>352,552</b>	<b>433,291</b>	<b>338,557</b>	<b>295,255</b>
	<b>793,967</b>	<b>985,719</b>	<b>548,898</b>	<b>493,102</b>
<b>Capital and reserves</b>				
Share capital	<b>305,888</b>	261,404	<b>305,888</b>	261,404
Share premium	<b>224,094</b>	204,521	<b>224,094</b>	204,521
Capital reserve	<b>49,031</b>	49,031	-	-
Share option reserve	<b>14,283</b>	462	<b>14,283</b>	462
Revaluation reserve	<b>884</b>	-	-	-
Bond reserve	<b>39,485</b>	39,485	<b>39,485</b>	39,485

Retained earnings (Accumulated losses)	<b>(13,835)</b>	279,309	<b>(34,852)</b>	(12,770)
Equity attributable to equity holders of the company	<b>619,830</b>	834,212	<b>548,898</b>	493,102
Minority interests	<b>83,935</b>	47,453	-	-
Total equity	<b>703,765</b>	881,665	<b>548,898</b>	493,102
<b>Non-current liabilities</b>				
Bank and other borrowings	<b>42,500</b>	20,000	-	-
Deferred tax liabilities	<b>47,702</b>	84,054	-	-
	<b>90,202</b>	104,054	-	-
	<b>793,967</b>	985,719	<b>548,898</b>	493,102

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

\* Secured by minority shareholder's 49% equity interests in a subsidiary.

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

	<b>As at 31 December 2008 RMB'000</b>	As at 31 December 2007 RMB'000
Borrowings, secured	<b>1,085,478</b>	1,093,385
The borrowings are repayable:		
On demand or within one year	<b>1,042,978</b>	1,073,385
More than one year	<b>42,500</b>	20,000
	<b>1,085,478</b>	1,093,385

### Details of any collateral

The above borrowings are secured against:

- a first fixed charge in respect of all of the issued shares in the Company's wholly-owned subsidiary, Elegant Jade Enterprises Limited ("Elegant Jade") and all dividends and other income and distributions together with an unconditional and irrevocable guarantee by Elegant Jade of the due and punctual payment of all sums from time to time payable by the Company in respect of the Convertible Bonds (as defined in 1(d)(ii) below);
- a pledge over Elegant Jade's equity interests in all its direct subsidiaries;
- a charge over the assets of Elegant Jade;
- an assignment over certain shareholder loans from Elegant Jade to its direct subsidiaries; and
- the Group's properties under development for sale.

**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	
	2008 RMB'000	2007 RMB'000
<b>OPERATING ACTIVITIES</b>		
(Loss)/Profit before tax	(324,604)	84,615
Adjustments for:		
Depreciation of property, plant and equipment	5,142	2,178
Impairment loss on available-for-sale investments	56,640	-
Impairment on properties under development and other assets	119,324	-
Gain on disposal of property, plant and equipment	-	(26)
Allowance of doubtful receivables	3,428	-
Decrease/(Increase) in fair value of investment properties	132,534	(16,390)
Gain on disposal of subsidiaries	(56,850)	(20,194)
Gain on disposal of investment held for trading	-	(3,374)
Loss from disposal of properties under development	6,879	-
Share-based payments	13,821	462
Interest income	(3,438)	(3,288)
Interest expenses	98,284	31,049
Investment income from available-for-sale investments	(49,600)	(25,436)
Operating cash flows before movements in working capital	1,560	49,596
Completed properties for sale	(70,398)	(59,069)
Land use rights	2,130	17
Properties under development for sale	(278,198)	(657,809)
Trade receivables	13,243	119,833
Inventories	(118)	-
Prepayments and other receivables	(34,496)	323,132
Trade payables	89,658	(58,850)
Sales deposits	122,654	85,480
Accruals and other payables	(58,456)	38,758
Cash used in operations	(212,421)	(158,912)
Income tax paid	(32,189)	(59,289)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(244,610)</b>	<b>(218,201)</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(9,035)	(4,216)
Proceeds from disposal of property, plant and equipment	-	698
Acquisition of underlying assets and liabilities of entities (Note 1)	16,330	(55,710)
Acquisition of subsidiaries (Note 2)	(9,094)	-
Disposal of subsidiaries (Note 3)	82,621	55,208
Amount due from minority shareholder of a subsidiary	(80,027)	-
Advances from a minority shareholder	8,179	-
Deposit for land	(117,189)	-
Deposit for investment properties	-	(55,000)
Purchase of available-for-sale investments	-	(44,415)
Purchase investments held for trading	-	(91,000)
Receipt of investment income from available-for-sale investments	49,600	25,436
Proceeds from investments held for trading	-	94,374
Decrease/(Increase) in amounts due from related parties	773	(27,687)
Interest received	3,438	3,288
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(54,404)</b>	<b>(99,024)</b>

**FINANCING ACTIVITIES**

Increase in bank loans and other borrowings	<b>88,000</b>	707,667
Repayment of bank loans	<b>(37,500)</b>	-
Interest paid	<b>(156,103)</b>	(48,090)
Dividends paid	<b>(25,479)</b>	(49,058)
Increase in amounts due to related parties	<b>(199)</b>	7,167
Decrease/(Increase) in pledged bank deposits	<b>27,603</b>	(71,395)
	<hr/>	<hr/>
NET CASH (USED IN) FROM FINANCING ACTIVITIES	<b>(103,678)</b>	546,291
	<hr/>	<hr/>
(DECREASE) INCREASE IN CASH AND BANK BALANCES	<b>(402,692)</b>	229,066
CASH AND BANK BALANCES AT BEGINNING OF YEAR	<b>509,559</b>	280,493
	<hr/>	<hr/>
CASH AND BANK BALANCES AT END OF YEAR	<b>106,867</b>	509,559
	<hr/>	<hr/>

**Note 1: Summary of cash flows arising from the acquisition of underlying assets and liabilities of the entities:**

	<b>The Group</b>	
	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
Cash and bank balances	16,330	19,290
Other current assets	190,016	92,848
Non-current assets	-	111,905
Current liabilities	(28,219)	(129,570)
Non-current liabilities	-	(22,184)
Minority interests	(70,240)	-
	<hr/>	<hr/>
Net identifiable assets acquired	107,887	72,289
Allocation of excess of consideration over the net assets acquired	(14,896)	2,711
	<hr/>	<hr/>
Purchase consideration satisfied by cash	-	75,000
Purchase consideration satisfied by issue of shares	64,058	
Purchase consideration satisfied by projects under development	28,933	
Net cash and bank balances acquired	(16,330)	(19,290)
	<hr/>	<hr/>
Net cash (inflow)/outflow from acquisition of underlying assets and liabilities	<b>(16,330)</b>	<b>55,710</b>
	<hr/>	<hr/>

**Note 2: Summary of cash flows arising from the acquisition of subsidiaries:**

	<b>The Group</b>	
	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
Cash and bank balances	1,397	-
Other current assets	78,942	-
Non-current assets	2,479	-
Current liabilities	(66,165)	-
Minority interests	(6,162)	-
Net identifiable assets and liabilities acquired	10,491	-
Purchase consideration satisfied by cash	10,491	-
Less: cash and bank balances of subsidiaries acquired	(1,397)	-
Net cash outflow from acquisition of subsidiaries	9,094	-

**Note 3: Summary of cash flows arising from the disposal of subsidiaries:**

	<b>The Group</b>	
	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
Cash and bank balances	530	44,992
Other current assets	147,001	452,896
Non-current assets	24,100	1,782
Deemed 49% equity interest in a subsidiary	9,305	-
Shares issued to a minority shareholders	64,057	-
Current liabilities	(132,248)	(404,037)
Non-current liabilities	(7,485)	(12,381)
Minority interests	(5,666)	(3,246)
Net identifiable assets and liabilities disposed	99,594	80,006
Gain on disposal of subsidiary	56,850	20,194
Proceeds from disposal: 51% equity interests in a subsidiary	73,083	100,200
: cash	83,360	-
Less: cash and bank balances of subsidiaries disposed	(739)	(44,992)
Net cash inflow from disposal of subsidiaries	82,621	55,208

**1.(d)(i) A 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 Group**

	Share capital	Share premium	Capital reserve	Revaluati on reserve	Share option reserve	Bond reserve	Retained profit/ (Acc. loss)	Attributable to equity holders of the Company	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2007	261,404	204,521	49,031	-	-	39,485	265,937	820,378	48,450	868,828
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(3,246)	(3,246)
Incorporation of subsidiary	-	-	-	-	-	-	-	-	2,500	2,500
Acquisition of additional interest from minority shareholders	-	-	-	-	-	-	-	-	33	33
Recognition of share-based payment	-	-	-	-	462	-	-	462	-	462
Dividends paid	-	-	-	-	-	-	(42,642)	(42,642)	(6,416)	(49,058)
Profit for the year	-	-	-	-	-	-	56,014	56,014	6,132	62,146
Balance at 31 December 2007	261,404	204,521	49,031	-	462	39,485	279,309	834,212	47,453	881,665
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(5,666)	(5,666)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	76,402	76,402
Disposal of equity Interest in a subsidiary	-	-	-	-	-	-	-	-	9,305	9,305
Issue of shares	44,484	19,573	-	-	-	-	-	64,057	-	64,057
Revaluation surplus	-	-	-	884	-	-	-	884	-	884
Recognition of share-based payment	-	-	-	-	13,821	-	-	13,821	-	13,821
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	(25,479)	(25,479)
Loss for the year	-	-	-	-	-	-	(293,144)	(293,144)	(18,080)	(311,224)
<b>Balance at 31 December 2008</b>	<b>305,888</b>	<b>224,094</b>	<b>49,031</b>	<b>884</b>	<b>14,283</b>	<b>39,485</b>	<b>(13,835)</b>	<b>619,830</b>	<b>83,935</b>	<b>703,765</b>



**The Company**

	Share capital	Share premium	Share option reserve	Bond reserve	Retained earnings (Acc. losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2007	261,404	204,521	-	39,485	63,582	568,992
Recognition of share-based payment	-	-	462	-	-	462
Dividends paid	-	-	-	-	(42,642)	(42,642)
Loss for the year	-	-	-	-	(33,710)	(33,710)
Balance at 31 December 2007	261,404	204,521	462	39,485	(12,770)	493,102
Issue of shares	44,484	19,573	-	-	-	64,057
Recognition of share-based payment	-	-	13,821	-	-	13,821
Loss for the year	-	-	-	-	(22,082)	(22,082)
<b>Balance at 31 December 2008</b>	<b>305,888</b>	<b>224,094</b>	<b>14,283</b>	<b>39,485</b>	<b>(34,852)</b>	<b>548,898</b>

**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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, 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.**

Details of the movement of the number of issued ordinary shares of the Company are as follows:

	<b><u>The Group and the Company</u></b>			
	2008 Number of ordinary share of S\$0.0625 each	2008 RMB'000	2007 Number of ordinary share of S\$0.0625 each	2007 RMB'000
Authorised:	8,000,000,000	2,536,333	8,000,000,000	2,536,333
Issued and fully paid:				
At beginning of year:	832,000,000	261,404	832,000,000	261,404
Add: Issue of share	146,000,000	44,484	-	-
At end of year:	978,000,000	305,888	832,000,000	261,404

On 14 October 2008, the Company acquired 51% equity interests in one of the subsidiaries by way of issuance of 146,000,000 new ordinary shares.

#### Convertible Bonds

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

Due to issuance of new ordinary shares during the year as stated above, the conversion price for the Convertible Bonds was adjusted from S\$0.30 per share to S\$0.27226 per share pursuant to the terms of the Convertible Bonds. Based on the adjusted conversion price of S\$0.27226 per ordinary share, the Convertible Bonds may be converted into 183,354,146 ordinary shares in the capital of the Company.

Unless previously converted, or purchased and cancelled, the Convertible Bonds shall be redeemed by the Company at 100% of their principal amount on 6 December 2011. The Convertible Bonds 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 ("SESOS"), 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.

8,850,000 share options were cancelled due to staff resignation during the year and the number of ordinary shares that may be issued upon exercise of all share options outstanding as at 31 December 2008 was 51,150,000 (31 December 2007: 60,000,000).

#### **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.**

Please refer the table shown in 1d(ii) above.

#### **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 has no treasury shares as at 31 December 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 period 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 financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	<u>The Group</u>	
	2008	2007
	RMB'000	RMB'000
<b>Net (loss)/profit attributable to shareholders</b>	<u>(293,144)</u>	<u>56,014</u>
<b>(Loss)/Earnings per share</b>		
Basic (Singapore cents)	<u>(7.17) cents***</u>	<u>1.33 cents*</u>
Fully diluted (Singapore cents)	<u>(7.17)cents****</u>	<u>1.14 cents**</u>

\* Based on the ordinary shares of 832,000,000 in issue during the financial year.

\*\* Based on 1,003,733,332 ordinary shares. Calculated based on the number of 832,000,000 ordinary shares, adjusted for the assumed conversion of the convertible bonds and exercise of all the share options.

\*\*\* Based on the weighted average number of 863,200,000 ordinary shares. Calculated based on issued share capital of 832,000,000 ordinary shares and the issue of 146,000,000 additional ordinary shares on 14 October 2008.

\*\*\*\* As the conversion of the Convertible Bond and exercise of all outstanding options pursuant to the SESOS will have an anti-dilutive effect on the loss per share, they are not taken into account in calculating the diluted loss per share.

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued share excluding treasury shares of the issues at the end of the (a) current financial period reported on and (b) immediately preceding financial year.**

	<u>The Group</u>		<u>The Company</u>	
	31 December	31 December	31 December	31 December
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Net asset value (net of minority interests) as at end of financial year	<u>619,830</u>	<u>834,212</u>	<u>548,898</u>	<u>493,102</u>
Net asset value per ordinary share as at the end of financial year (Singapore cents)	<u>13.4 cents</u>	<u>19.8 cents</u>	<u>11.8 cents</u>	<u>11.7 cents</u>

**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 include a discussion of 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. We strategically focus on building affordable medium end quality housing in tier-2 cities mainly located in Henan Province, PRC.

**Revenue**

The Group's revenues in 2008 and 2007 were as follow:

	<b>2008</b> <b>RMB million</b>	<b>2007</b> <b>RMB million</b>
(1) Sales of developed properties	174.1	289.0
(2) Rental income	20.5	14.1
(3) Property management income	7.0	7.1
(4) Hotel management income	4.2	-
	<b>205.8</b>	<b>310.2</b>

Our overall revenue decreased by 34% from RMB 310.2 million in 2007 to RMB 205.8 million in 2008.

Our sales of developed properties in 2008 were 40% lower than 2007. The decrease was mainly due to the faster than expected deterioration of the property market conditions in China in the second half of 2008 brought about by unfavourable domestic and global factors as a result of the worsening economic crisis. The housing demands have since significantly slowed down with average selling prices continued to decline.

Our rental income increased by 45% from RMB 14.1 million in 2007 to RMB 20.5 million in 2008. The improved performance was mainly contributed by our subsidiary, Feng Bao Heng Investments Co. Ltd ("FBH"), which we acquired in 4Q 2008.

The hotel management income, a new revenue stream, of RMB 4.2 million was mainly contributed by Chengguo Hotel Management Co. Ltd, a wholly-owned subsidiary of FBH.

**Gross profit**

In line with the lower revenue registered, our gross profit declined from RMB 91.6 million in 2007 to RMB 30.5 million in 2008. The decline in the average selling price coupled with the high capitalised borrowing costs and hike in construction costs had resulted in a reduction in our gross profit margin from 30% in 2007 to 15% in 2008.

**Other income**

Our other income more than doubled from RMB 67.8 million in 2007 to RMB 148.7 million in 2008. This was attributed mainly to the investment income of RMB 49.6 million from our available-for-sale investments, gain on disposal of subsidiaries of RMB 56.9 million and favorable exchange rates movements between RMB and US dollars at a gain of RMB 52.2 million.

**Decrease in fair value of investment properties**

Severe erosion of property market conditions in 2008 had led to a massive decrease in the fair value of our investment properties (as contrast against a hike in valuation in 2007), resulting in a charge of RMB 132.5 million in the profit and loss in 2008.

### **Impairment loss on properties under development and available-for-sale investments**

Following the slow down and suspension of certain projects and weaker sales performance, an impairment loss of RMB 173.6 million on properties under development and available-for-sale investments was charged into profit and loss in 2008.

### **Selling and distribution expenses**

In line with reduced sales, our selling and distribution expenses declined by 17% from RMB 20.3 million in 2007 to RMB 16.8 million in 2008.

### **General and administrative expenses**

Our general and administrative expenses increased by 107% from RMB 39.9 million in 2007 to RMB 82.6% million in 2008. This was attributed mainly to a full year impact of share-based payment with regard to the employee share options granted by our Group pursuant to the SESOS, withholding taxes paid on offshore term loans' interest, additional payroll costs and office rental incurred for new subsidiaries formed and acquired. Besides, high inflation had also pushed up certain of our other operating expenses, such as utilities and transportation costs.

To contain costs, we had conducted several rounds of retrenchment exercises which are expected to lighten our fixed overheads considerably in 2009.

### **Finance costs**

Our finance costs increased significantly from RMB 31.0 million in 2007 to RMB 98.3 million in 2008 mainly due to higher bank borrowings. Finance costs incurred for properties under development were capitalized as development costs.

### **Loss before tax**

We incurred a net loss before tax of RMB 324.6 million in 2008 as compared to a net profit before tax of RMB 84.6 million in 2007. Excluding these impairment losses aggregating RMB 308.5 million, the loss before tax was about RMB 16.1 million.

### **Income tax (credit)/expense**

Due to the decrease in the fair value of investment properties in 2008, deferred taxes provided previously for the increase in the fair value of investment properties were no longer required and are now taken into the profit and loss as a tax credit. The tax credit more than offsets the income tax expenses provided for 2008.

### **Net loss attributable to equity holders of the company**

In line with the operating loss incurred, the amount attributable to equity holders of the company was a loss of RMB 293.1 million in 2008 as compared to a profit of RMB 56.0 million in 2007

### **Minority interests**

Similar to the net loss attributable to equity holders of the Company, the minority interests of the Group born a loss of RMB 18.1 million in 2008 compared to a profit of RMB 6.1 million in 2007.

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

### **Non-current assets**

Non-current assets decreased by RMB 111.0 million or 20%, from RMB 552.40 million as at 31 December 2007 to RMB 441.4 million as at 31 December 2008. This was attributed mainly to the decrease in the fair value of investment properties and impairment loss on available-for-sale investments. The decrease was partially offset by the increase in property, plant and equipment pursuant to the acquisition of subsidiaries.

RMB 41.4 million of the deposit for investment property renovation was capitalized as investment properties in 2008 with the balance assumed by a subsidiary which was disposed off in 2008.

## **Current assets**

Current assets decreased by RMB 2.2 million or 0.1%, from RMB 1,935.2 million as at 31 December 2007 to RMB 1,933.0 million as at 31 December 2008. The decrease was mainly due the utilization of funds for the acquisition of land use right and deposit for land.

Increase in prepayment and other receivables were mainly due to assets receivable from an exchange of assets transaction following the termination of a project.

The amount due from a minority shareholder, which is secured by the equity interest of the minority shareholder of a subsidiary, is to facilitate a project development.

Decrease in pledged bank deposits was due to payment of interest.

## **Current liabilities**

Current liabilities increased by RMB 78.6 million or 5%, from RMB 1,501.9 million as at 31 December 2007 to RMB 1,580.5 million as at 31 December 2008. The increase was attributed mainly to the increase in trade payables and sales deposit collections from the pre-completion launch of projects in 2008. These increases were partially offset by the decrease in accruals and other payables and income tax payables from subsidiaries disposed off in 2008.

## **Non-current liabilities**

Non-current liabilities decreased by RMB 13.9 million or 13% from RMB 104.1 million as at 31 December 2007 to RMB 90.2 million as at 31 December 2008. The decrease was attributed mainly to the reduction in deferred tax liabilities as explained under "Income tax (credit)/expense" above and offset by an increase in bank and other borrowings.

## **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 significant trends and 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.**

Extreme adverse macro and micro conditions, which affected the Group in 2008, are expected to continue into 2009. To counteract which, the Group has either suspended or completely halted the construction of certain projects. Though such hard decisions are expected to have a serious impact on the Group's performance in the near term, we believe these are for the longer term good of the Group.

Despite the central government's push to spur domestic growth, slash taxes, reduce down payment requirements and ease mortgage rates in boosting the real estate sector, the impact of such stimulus moves has yet to be felt. The Group expects a highly challenging and difficult environment for the next 12 months.

With regard to the breach of financial covenants with the syndicated banks and the convertible bond holder (collectively the "Lenders"), we would like to update that the previous in-principle understandings reached with the Lenders are currently being re-negotiated as the previous understandings contained certain conditions which the Group cannot sustain in the current deteriorating operating environment. Discussion and negotiations are ongoing.

## **11. Dividend**

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

Nil

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

Nil

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**12. If no dividend has been declared/recommendeded, a statement to that effect.**

The directors recommend no dividend for the current financial period reported on.



**PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1 ,Q2, Q3 or Half Year Results)**

**13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Geographical segments

The Group's operations and its identifiable assets are solely located in China and accordingly, no geographical segmental analysis is presented.

Business segments

	Commercial and residential property development RMB'000	Investment properties RMB'000	Property management RMB'000	Hotel management RMB'000	Total RMB'000
<u>2008</u>					
REVENUE	<u>174,102</u>	<u>20,493</u>	<u>7,026</u>	<u>4,173</u>	<u>205,794</u>
RESULT					
Segment result	<u>(164,192)</u>	<u>(183,845)</u>	<u>(190)</u>	<u>(2,604)</u>	(350,831)
Unallocated expenses					(24,205)
Other income					148,716
Finance costs					<u>(98,284)</u>
Loss before tax					(324,604)
Income tax expense					<u>13,380</u>
Loss for the year					<u>(311,224)</u>
Attributable to:					
Equity holders of the company					(293,144)
Minority interests					<u>(18,080)</u>
					<u>(311,224)</u>
<u>2007</u>					
REVENUE	<u>288,974</u>	<u>14,132</u>	<u>7,085</u>		<u>310,191</u>
RESULT					
Segment result	<u>79,545</u>	<u>12,017</u>	<u>72</u>		91,634
Unallocated expenses					(10,864)
Other income					34,894
Finance costs					<u>(31,049)</u>
Profit before tax					84,615
Income tax expense					<u>(22,469)</u>
Profit for the year					<u>62,146</u>
Attributable to:					
Equity holders of the company					56,014
Minority interests					<u>6,132</u>
					<u>62,146</u>

**14. In the review of performance, the factors leading to any material changes in contributions to turnover and earning by the business of geographical segments.**

Please refer to note 8 above.

**15. Breakdown of sales**

	<b>The Group</b>	
	<b>2008</b>	2007
	<b>RMB' 000</b>	RMB' 000
(i) Turnover reported for:		
First half year ended 30 June	<b>194,777</b>	<b>200,928</b>
Second half year ended 31 December	<b>11,017</b>	<b>109,263</b>
	<b>205,794</b>	<b>310,191</b>
(ii) Net profit for the year reported for:		
First half year ended 30 June	<b>110,444</b>	<b>25,674</b>
Second half year ended 31 December	<b>(421,668)</b>	<b>36,472</b>
	<b>(311,224)</b>	<b>62,146</b>

**16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

	<b>Latest Full Year 2008 RMB' 000</b>	Previous Full Year 2007 RMB' 000
Ordinary Share:		
Final dividend	<b>Nil</b>	<b>Nil</b>
Special dividend	<b>Nil</b>	<b>Nil</b>

**BY ORDER OF THE BOARD**

**Guo Yinghui  
Chairman**

**28 February 2009**