



Incorporated in the Cayman Islands  
Company Registration No. CT-140095

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- (1) **SETTLEMENT AGREEMENTS REACHED WITH US\$120 MILLION SYNDICATE LENDERS AND US\$32 MILLION CONVERTIBLE BOND HOLDER**
  - (2) **PROPOSED DISPOSAL OF PROPERTIES AND OPTION TO ISSUE NEW SHARES PURSUANT TO THE SETTLEMENT AGREEMENTS**
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The Board of Directors of Sunshine Holdings Limited (the *Company* or *Sunshine*) refers to:

- (a) the various announcements made by the Company on 2 April 2009, 12 May 2009, 3 June 2009, 6 July 2009 and 11 August 2009 in connection with the breach of financial covenants under the US\$120 million term loan facility agreement dated 2 November 2007 (**Facility Agreement**) entered into, amongst others, the Company and its wholly owned subsidiary, Elegant Jade Enterprises Limited (**Elegant Jade**) (collectively referred to as the **Borrowers** or **Obligors**), Deutsche Bank AG, London Branch as arranger, Deutsche Bank AG, Hong Kong Branch as facility agent and DB Trustees (Hong Kong) Limited as security agent; the lenders under the Facility Agreement comprise Deutsche Bank AG, London Branch, United Overseas Bank Limited Labuan Branch, Centar Investment (Asia) Ltd., Stark Master Fund Ltd., Stark Asia Master Fund Ltd., Chestnut Fund Ltd., and Lehman Commercial Paper Inc., UK Branch (collectively referred to as the **Lenders**);
- (b) the breach of financial covenants under the US\$32 million 7% subordinated convertible bonds due 2011 issued by the Company to Forum Asian Realty Income II (**Forum** or the **Convertible Bond Holder**) pursuant to a subscription agreement dated 12 November 2006 (**Bonds**); and
- (c) the announcements made by the Company on 15 July 2009 and 2 September 2009 relating to the winding up proceedings commenced by Centar Investment (Asia) Ltd., Stark Master Fund Ltd., and Stark Asia Master Fund Ltd. (collectively referred to as the **Stark Parties**) against Elegant Jade in the courts of the British Virgin Islands (**Existing Winding-Up Proceedings**).

## 1. SETTLEMENT AGREEMENTS

The Board wishes to announce that the Borrowers and Mr Guo Yinghui (**Sponsor**), the controlling shareholder of the Company, had on 21 September 2009 entered into two (2) settlement agreements (collectively referred to as the **Settlement Agreements**), specifically:

- (a) one (**FA Settlement Agreement**) with the Lenders, to settle their rights and obligations under the Facility Agreement; and
- (b) the other (**CB Settlement Agreement**) with Forum, the sole holder of the Bonds.

### A. Salient terms of the FA Settlement Agreement

#### (i) Settlement Consideration

Under the terms of the FA Settlement Agreement, the Borrowers will pay to the Lenders an aggregate amount of US\$75,600,000 (**Settlement Consideration**) as settlement of all rights, claims and interests of a Lender with respect to the amount owing to that Lender (**Claims**) under the Facility Agreement. The Settlement Consideration will be paid in the following manner:

- (a) each Lender will be paid its *pro rata* share of an initial payment amount of US\$24,000,000 on 21 September 2009;
- (b) subject to the conditions set out in paragraph 2(i) below, the Borrowers may at their option pay each Lender its *pro rata* share of such number of ordinary shares in the Company (**Shares**) in an aggregate value as at the Price Fixing Date (as defined below) of not more than US\$7,860,000 (**Consideration Shares**) as at the Price Fixing Date (being the date on which the Lenders have received documents and other evidence of the approvals described in paragraph 2(i) below having been obtained and there are no events for the suspension of the trading in the Shares or event of default as provided in the FA Settlement Agreement). The value of each Consideration Share shall be calculated based on the average of the volume weighted average daily Share price over the last 30 trading days immediately prior to the Price Fixing Date. The Consideration Shares shall be issued within seven (7) business days thereafter and in any event by no later than the Longstop Date (as defined below); and
- (c) the remaining balance of the Settlement Consideration shall be paid to the Lenders to settle in full the Settlement Consideration on or prior to 31 December 2009 or such other date as the Lenders may agree (the **Longstop Date**).

(ii) Settlement

The payment of the Settlement Consideration shall be the only payment which is required to be made by the Borrowers for the settlement of the Claims and no other amounts shall be payable by the Borrowers. On the date which the Lenders notify the Borrowers that the Settlement Consideration has been paid irrevocably in full in accordance with the FA Settlement Agreement and certain conditions precedent have been met to the satisfaction to all Lenders (**Settlement Date**), amongst other things:

- (a) each document in connection with the facility granted under the Facility Agreement (including the Facility Agreement) (**Finance Document**) shall be terminated in full and be of no further force or effect with respect to each other;
- (b) each party to the FA Settlement Agreement shall be completely and unconditionally discharged and released from all Claims and all obligations (including without limitation any payment obligations), covenants and undertakings under the Finance Documents and the Borrowers shall be completely and unconditionally discharged and released from all amounts howsoever arising (including principal and interest) under any loan owed by them to the Lenders under the Facility Agreement; and
- (c) all security interests created under the Finance Documents shall be released and discharged.

(iii) Waivers and Standstill

Each of the Lenders had agreed under the FA Settlement Agreement that on and from the Effective Date (being the date on which majority of the Lenders (**Majority Lenders**) notify the Borrowers that they have satisfied certain conditions precedent provided in the FA Settlement Agreement) and until the Settlement Date or the Waiver Termination Date, being a date on which the Majority Lenders gives notice that an event of default under the FA Settlement Agreement (**Settlement Event of Default**) has occurred, it shall not except for the Existing Winding-Up Proceedings, (a) exercise or enforce any of its rights or remedies against, or take, commence or continue any other suit, action or proceedings against any Obligor or any members of the Sunshine group of companies (**Group Member**) under or in respect of the Facility Agreement or permit any such rights or remedies to be exercised or enforced, or any such suit, action or proceedings to be taken or commenced, on its behalf; or (b) seek or petition for any order for the winding-up of any Borrower or any Group Member or commence any suit, action or proceeding for such winding-up; or (c) accelerate the whole or any part of the loans under the Facility Agreement.

No Stark Party shall, on and from the date of the FA Settlement Agreement to the earlier of the Settlement Date or the Waiver Termination Date, seek an order for the winding-up of Elegant Jade pursuant to the Existing Winding-up Proceedings, and for so long as Settlement Event of Default has occurred and is continuing, each Stark Party shall seek an adjournment of any pending hearing relating to the Existing Winding-Up Proceedings.

On the Settlement Date, each Stark Party shall immediately withdraw and/or discontinue the Existing Winding-Up Proceedings.

The Board wishes to inform shareholders of the Company (**Shareholders**) that the hearing in relation to the Existing Winding-Up Proceedings scheduled to be held on 21 September 2009 was adjourned to 25 September 2009. Based on the FA Settlement Agreement, so long as no Settlement Event of Default has occurred and is continuing, the Stark Parties shall seek an adjournment of any pending hearing in relation to the Existing Winding-Up Proceedings.

The Board will update Shareholders as to the outcome of the forthcoming hearing.

(iv) Settlement Event of Default

If any Settlement Event of Default has occurred and is continuing, the Majority Lenders may by notice in writing to the Obligors terminate the FA Settlement Agreement with immediate effect and/or declare that the standstill and waiver described above shall cease to have effect; and/or each Stark Party may seek an order for the winding-up of Elegant Jade pursuant to the Existing Winding-up Proceedings on such basis entitling any of them to such an order.

B. Salient terms of the CB Settlement Agreement

(i) CB Settlement Consideration

Under the terms of the CB Settlement Agreement, the Obligors will pay to Forum an aggregate amount of US\$17,680,000 (**CB Settlement Consideration**) to acquire from it all rights, title and interest as it may have in respect the Bonds. An initial payment of US\$1,600,000 will be made on 30 September 2009 and a final payment of the sum of US\$16,080,000 will be made by 31 December 2009.

(ii) Standstill

Forum had under the CB Settlement Agreement agreed not to exercise any rights it may under the Bonds unless an event of default under the said agreement has occurred.

(iii) Termination of Bond Documents

On the date which Forum receives all documents required to be delivered to it under the CB Settlement Agreement for the purpose of closing and the full settlement consideration referred to in paragraph B(i) above has been received, each document under the Bonds (**Bond Document**) shall be terminated and the Obligors shall be completely and unconditionally discharged and released from all obligations under and all claims relating to the Bond Documents and all security interests granted thereunder shall be released and discharged.

C. Sponsor's Undertaking

In relation to the FA Settlement Agreement, the Sponsor had irrevocably and unconditionally:

- (a) guaranteed to each Lender the punctual performance by each Settlement Obligor (being the Borrowers and the Sponsor) of all that Settlement Obligor's obligations under the Settlement Agreement; and

- (b) undertaken with each Lender that whenever any Settlement Obligor does not pay any amount when due under or in connection the terms of the FA Settlement Agreement, that it shall immediately on demand pay that amount as if it was the principal obligor.

In relation to the CB Settlement Agreement, the Sponsor had irrevocably and unconditionally undertaken to advance by way of an interest free shareholder's loan to the Company an amount equal to any shortfall to cover all amounts payable to Forum.

## 2. ISSUE OF THE CONSIDERATION SHARES (*PROPOSED SHARE ISSUE*)

- (i) Conditions to the Proposed Share Issue

Amongst other conditions, the issue of the Consideration Shares shall be subject to:

- (a) the Convertible Bond Holder having given its written waiver of its right of pre-emption under the terms and conditions of the Bonds in respect of the Consideration Shares (unless the Majority Lenders have determined that such a waiver is not required);
  - (b) the approval of the Shareholders at an extraordinary general meeting (*EGM*) to be convened in respect of the issue of the Consideration Shares and the disposal of properties and assets under the Asset Monetisation Program (as defined below); and
  - (c) the approval of the Singapore Exchange Securities Trading Limited (*SGX-ST*) for the listing and quotation of the Consideration Shares on the SGX-ST.
- (ii) As the number of Consideration Shares that may be issued cannot be determined until the Price Fixing Date, specific Shareholders' approval is sought for the Proposed Share Issue.

## 3. DISPOSAL OF PROPERTIES

- (i) According to the terms of the Settlement Agreements, the Borrowers will implement an asset monetisation program (*Asset Monetisation Program*) relating to:
  - (a) the sale of, or the granting of security over, any direct or indirect interest of any Group Member in any of its assets; or
  - (b) implementation of any other means approved by the Majority Lenders to monetize any of the assets of any Group Member,

in each case for the purpose of funding the payments by the Borrowers under the Settlement Agreements.

- (ii) The Properties

The properties and assets (*Properties*) that may be disposed of under the Asset Monetisation Program (*Disposal*) are set out in the Schedule to this announcement. The Properties will be disposed of in a piecemeal basis and in no particular order. Not all the Properties in the Schedule may be disposed of if sufficient cash may be generated from the Disposal in meeting the Settlement Consideration and the CB Settlement Consideration.

- (iii) The Disposal

In relation to the Properties subject to the Disposal, based on the audited financial statements of the Group for the financial year ended 31 December 2008 (*FY2008*), the relative figures computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

- (a) Rule 1006(a) – the NBV of the Properties compared with the net asset value of the Group (assuming that the Properties were to be disposed based on their respective NBV as at 31 December 2008) 138.53%<sup>(1)</sup>

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|-----|---|---------------------|
| (b) | Rule 1006(b) – the net profit before income tax attributable to the Properties, compared with the Group's net profits   | N.A. <sup>(2)</sup> |
| (c) | Rule 1006(c) – the aggregate value of the consideration for the Disposal, compared with the Company's market capitalisation   | N.A. <sup>(3)</sup> |
| (d) | Rule 1006(d) – the number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue | N.A.                |

**Notes:**

- (1) The calculation under Rule 1006(a) includes the sale consideration of approximately RMB14.4 million for the sale of an undeveloped parcel of land located at Luoyang city in August 2009 (**Luoyang Project**).
- (2) In FY2008, there were no aggregate net profits attributable to the Properties.
- (3) The Properties are the subject of the Disposal and as at the date of this announcement, no agreement has been entered into with respect to their sale and no price indication has been provided by any potential buyers.

In accordance with the bases of computation set out above, the Disposal would exceed 20%, and therefore constitute a major transaction under Rule 1013 of the Listing Manual. Accordingly, Shareholders' approval is required for the Disposal.

(iii) Rationale for the Disposal

The Settlement Agreements were entered into for the purpose of settling all claims under the Facility Agreement and the Bonds and to avert the Existing Winding-Up Proceedings commenced by the Stark Parties.

The Company and its subsidiaries (**Group**) is engaged in the business of real estate development in the People's Republic of China. The main assets and undertaking of the Group comprise land and real estate properties located in the PRC. In order for the Company to raise sufficient funds to pay the Settlement Consideration, the CB Settlement Consideration and any other financial indebtedness as mentioned above, the Company will need to implement the Disposal to allow the Group to free up the funds tied to the Properties to meet its debt obligations to the Lenders and the Convertible Bond Holder. The Settlement Agreements are expected to have a material positive impact on the financial position of the Group moving forward.

In view of the constraints the Company is facing to meet its debt obligations, the Disposal, if approved by the Shareholders at the EGM, will enable the Company to effect, implement and complete the Disposal to any prospective purchaser or purchasers in any method of transaction (subject to the terms of the Disposal set out below), in an expeditious manner without the need for the Company to convene a separate general meeting in the future to obtain specific approval from Shareholders for the transaction.

(iv) Material terms of the Disposal Mandate

The Directors recognise that the Properties will need to be sold within a short time, and therefore the Properties will not likely be sold at fair market value but may likely to be sold below their NBVs. Accordingly, the Directors will be seeking a mandate from Shareholders to allow them to dispose of the Properties in any manner but in accordance with the parameters set out below (**Disposal Mandate**).

The Disposal will be made subject to the following terms and conditions:

- (a) an agreement for the sale of any of the Properties shall not be entered into unless the Effective Date has occurred;
- (b) the purchase price for that Property will be:

- (A) if a liquidation value for that Property is stated in the report prepared by Ernst & Young dated 12 June 2009, not less than that liquidation value; or
  - (B) in respect of any other asset, not less than an amount agreed by the Borrower and the Majority Lenders and the Convertible Bond Holder;
- (c) the agreement for the sale shall be:
- (A) on arms length terms with a person other than an Affiliate (being its subsidiary or holding company, or subsidiary of the holding company), any person or persons associated with the Sponsor or the Convertible Bond Holder (or any trustee or agent on its behalf); and
  - (B) on terms that the purchaser or lender (as applicable) shall not have recourse to any Group Member other than the Group Member disposing of the Property;
- (d) the purchase price shall be paid in cash and:
- (A) not less than 50% of the purchase price is to be paid prior to the Longstop Date;
  - (B) the purchase price, when aggregated with the purchase prices of or loans secured on assets previously sold or secured pursuant to the Asset Monetisation Programme, is not more than 150% of the aggregate of the Settlement Consideration and the CB Settlement Consideration; and
  - (C) the portion of the purchase price to be paid prior to the Longstop Date, when aggregated with the portion of the purchase price to be paid prior to the Longstop Date for, or in respect of loans secured on, the Properties previously sold or secured pursuant to the Asset Monetisation Programme, is not less than 80% of the aggregate of the purchase prices of, or loans secured on, all Properties previously sold or secured.

The Disposal Mandate will relate only to the disposal of the Properties. If considered appropriate or desirable, the terms of the Disposal may include any arrangements, the terms of which are considered by the Directors to be fair and reasonable, having regard to the interests of the Company. The Directors will announce any decision made in reliance on the Disposal Mandate and the basis of such decision, in a timely manner as soon as possible thereafter.

The Disposal Mandate will be valid for a period of 12 months from the date of the EGM. Where appropriate, the Directors may decide to create security over the Property for a loan.

(v) Use of Proceeds

It is intended that the proceeds from the Disposal, after taking into account the estimated expenses to be incurred in connection with the Disposal, will be applied towards payment of the Settlement Consideration and the CB Settlement Consideration.

(vi) Financial Effects of the Disposal

The proforma financial effects of the Disposal set out below (without taking into account any effects of the Settlement Agreements) are, unless otherwise stated, based on audited financial statements of the Group for FY2008 and are intended for illustration purposes only. They do not necessarily reflect the future financial position and performance of the Group. They are prepared based on the following assumptions:

- (a) All the Properties listed in the Schedule to this announcement have been disposed;

- (b) For the purpose of the profit and loss account, the Disposal had been completed on 1 January 2008;
- (c) For the purpose of the balance sheet, the Disposal had been completed on 31 December 2008; and
- (d) The total consideration arising from the Disposal is based on the total sum of 60% of the NBV of the Properties listed in the Schedule of this announcement as at 31 December 2008, being approximately RMB509.3 million, and the sale consideration of approximately RMB14.4 million from the sale of the Luoyang project.

#### Net Tangible Assets (NTA)

Assuming (as per Rule 1010(8) of the Listing Manual) that the Disposal had been completed on 31 December 2008, it would have the following impact on the NTA per Share:

	<b>Before Disposal</b>	<b>After Disposal</b>
RMB'000		
Properties under development for sale	1,102,253	593,451
Prepayments and other receivables	315,561	188,160
Completed properties for sale	85,250	32,225
Land use rights	171,435	1,984
NTA (net of minority interests)	619,830	284,846
Number of issued Shares ('000)	978,000 <sup>(1)</sup>	978,000 <sup>(1)</sup>
NTA per Share (Singapore cents)	13	6

**Note:**

- (1) Based on 978,000,000 Shares in issue as at 31 December 2008. The Company has only one class of ordinary shares.

#### Earnings/Loss

Assuming (as per Rule 1010(9) of the Listing Manual) that the Disposal had been completed on 1 January 2008, it would have the following impact on the loss per Share:

	<b>Before Disposal</b>	<b>After Disposal</b>
RMB'000		
Loss after tax and minority interests, attributable to equity holders of the company	(293,144)	(560,347)
Weighted average number of Shares in issue for the year ended 31 December 2008 ('000)	863,200 <sup>(1)</sup>	628,128 <sup>(1)</sup>
Loss per Share <sup>(2)</sup> (Singapore cents)	(6.92)	(14.82)

**Notes:**

- (1) Calculated based on the weighted average of issued share capital of 832,000,000 ordinary shares of S\$0.0625 each, and the issue of 146,000,000 ordinary shares during FY2008 for the acquisition of Climbing Ace Limited and its subsidiaries (without taking into account the dilutive effects in connection with the conversion of the Bonds and exercise of all outstanding employees share options).
- (2) Loss per Share equals to loss after tax and minority interests, attributable to equity holders of the Company, divided by the weighted average number of Shares outstanding during the year ended 31 December 2008.

**4. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of its Directors or substantial shareholders of the Company have any interest, direct or indirect, in the Proposed Share Issue and Disposal.

**5. CIRCULAR**

A circular providing details of the Settlement Agreements, Proposed Share Issue and Disposal will be dispatched to the Shareholders in due course.

**6. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the Settlement Agreements are available for inspection during normal business hours at the Company's registered office at 6 Battery Road, #19-02 Singapore 049909 for three (3) months from the date of this announcement.

**BY ORDER OF THE BOARD**

Guo Yinghui  
Chairman  
23 September 2009



**Schedule**

**The Properties intended for the Disposal**

<b>Description of Property</b>	<b>Location</b>	<b>Type of property/status of development</b>	<b>Gross Floor Area ("GFA")/Land area</b>	<b>NBV as at 31 Dec 2008 RMB'000</b>	<b>Disposal consideration if applicable RMB'000</b>
Yuhua Ninth City Project 裕华第九城市	Zhengzhou City	Commercial properties (completed)	GFA: 7,878.96m <sup>2</sup>	57,043	N/A
Wen Gui Yuan Project 裕华文桂园	Zhengzhou City	Commercial properties (completed)	GFA: 6,555m <sup>2</sup>	53,045	N/A
Ke Shu Project 郑州客属	Zhengzhou City	Residential cum commercial properties (properties under development)	GFA: 236,405m <sup>2</sup>	254,970	N/A
Tian Fu Project 新乡市天福	Xinxiang City	Land	Land area: 162,536m <sup>2</sup>	48,090	N/A
Qing Shan Project 新乡市青山	Xinxiang City	Land	Land area: 100,000m <sup>2</sup>	20,184	N/A
Xin Xian Cheng Project 河南锦江：中牟新县城	Zhongmu County in Zhengzhou City	Land	Land area: 78,501m <sup>2</sup>	46,246	N/A
Yan Ming Hu Project 河南锦江：雁鸣湖	Zhongmu County in Zhengzhou City	Land	Land area: 456,784m <sup>2</sup>	98,668	N/A
Yangguang Peninsula City Project Phase 2 半岛城邦：1号地	Zhoukou City	Land	Land area: 39,335m <sup>2</sup>	51,829	N/A
Yangguang Peninsula City Project Phase 3 半岛城邦：3号地	Zhoukou City	Land	Land area: 82,188m <sup>2</sup>	51,575	N/A
Luoyang Project 洛阳·双溪部落三期土地	Luoyang City	Land (sold in August 2009)	Land area: 10,427m <sup>2</sup>	9,835	14,389
Hainan Project 海南岛项目	Hainan City	Land	Land area: 70,599m <sup>2</sup>	169,451	N/A
<b>Total</b>				<b>858,679</b>	