



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

INITIATION OF ARBITRATION PROCEEDINGS IN RELATION TO THE ZHENGZHOU EASTERN DISTRICT PROJECT (郑州东区项目) AND LUOYANG METER PLANT PROJECT (洛阳仪表厂项目)

The Board of Directors of Sunshine Holdings Limited (the “**Company**”) wishes to inform Shareholders that the Company through its wholly-owned subsidiary, Henan Sunshine Elegant Jade Real Estate Co., Ltd (河南阳光美基置业有限公司) (“**Sunshine Elegant Jade**”), has initiated arbitration proceedings in relation to its Zhengzhou Eastern District Project and the Luoyang Meter Plant Project (the “**Arbitration Proceedings**”).

Zhengzhou Eastern District Project (郑州东区项目)

Sunshine Elegant Jade refers to its agreement signed with Zhengzhou Ke Shu Property Co., Ltd (郑州客属房地产有限公司) (the “**Agreement**”) on 16 September 2008. Both parties had entered into the Agreement to jointly develop three plots of land with a total land area of 117,997 sq m (“**Zhengzhou Eastern District Project**”). The total investment value of the Zhengzhou Eastern District Project was approximately RMB867.32 million, and Sunshine Elegant Jade’s share of investment was 60% or approximately RMB520.39 million. As at the date of this announcement, Sunshine Elegant Jade had invested RMB224.08 million into the Zhengzhou Eastern District Project.

Due to Zhengzhou Ke Shu Property Co. Ltd’s failure to fulfill certain of its obligations under the Agreement, the Zhengzhou Eastern District Project could not proceed as planned. On 3 December 2008, Sunshine Elegant Jade submitted an arbitration application to Zhengzhou’s Arbitration Committee to initiate arbitration proceedings against Zhengzhou Ke Shu Property Co. Ltd. The main terms of Sunshine Elegant Jade’s arbitration application were as follows:

- To terminate the Agreement signed between both parties.
- Zhengzhou Ke Shu Property Co., Ltd to compensate Sunshine Elegant Jade for its share of investment following the valuation of the assets of the Zhengzhou Eastern District Project.
- Zhengzhou Ke Shu Property Co., Ltd to compensate Sunshine Elegant Jade RMB36.8 million in relation to its losses incurred pursuant to the termination of the Agreement.

Luoyang Meter Plant Project (洛阳仪表厂项目)

Sunshine Elegant Jade refers to its two agreements (the “**Strategic Collaboration Agreement**” and the “**Collaboration Agreement**”) with Luoyangluopu Yubo Property Co. Ltd (洛阳洛浦豫博置业有限公司) signed on 25 December 2006 and 4 December 2007 respectively to jointly develop property projects in Luoyang, Henan Province.

Due to Luoyangpu Yubo Property Co. Ltd’s failure to fulfill certain of its obligations under the Strategic Collaboration Agreement and the Collaboration Agreement, Sunshine Elegant Jade was unable to proceed with the Luoyang Meter Plant Project (洛阳仪表厂项目). The total investment value of the Luoyang Meter Plant Project was approximately RMB181.12 million and Sunshine Elegant Jade’s share of investment in this project was approximately RMB7.5 million. Sunshine Elegant Jade had also made a prepayment of RMB5.0 million for its participation in the project. While Sunshine Elegant Jade’s share of investment of RMB7.5 million was subsequently returned, Sunshine Elegant Jade has yet to receive its initial prepayment of RMB5.0 million.

On 15 November 2008, Sunshine Elegant Jade submitted an arbitration application to the Luoyang Arbitration Committee to terminate the Strategic Collaborative Agreement and the Collaborative Agreement. The main terms of Sunshine Elegant Jade’s arbitration applications were as follows:

- To terminate the Strategic Collaborative Agreement and the Collaborative Agreement.
- Luoyangpu Yubo Property Co. Ltd, to compensate Sunshine Elegant Jade approximately RMB7.8 million, which includes Sunshine Elegant Jade’s

prepayment of RMB5.0 and RMB2.8 million for losses incurred upon the termination of the Strategic Collaborative Agreement and the Collaborative Agreement.

Based on the facts available to the Company, it is of the view that there is a reasonable prospect that the sums claimed under the Arbitration Proceedings will be recovered. However, it is not possible at present for the Company to estimate the amounts which will be recovered pursuant to the Arbitration Proceedings, net of associated costs, including legal fees.

In addition, there is a possibility that the contracting parties may institute counterclaims against Sunshine Elegant Jade in respect of the same and/or other matters. Any payment of damages and the associated costs and legal fees, as well as any negative publicity may have an adverse effect on the Group's business operations and financial performance.

The Company will provide Shareholders with updates on the Arbitration Proceedings via further announcements as and when appropriate.

By Order of the Board

Guo Yinghui
Chairman

15 January 2009