



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

THE PROPOSED ACQUISITION OF 51% OF CLIMBING ACE LIMITED, A BRITISH VIRGIN ISLANDS ENTITY WITH INTERESTS IN A PROPERTY LOCATED IN HAINAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA

BACKGROUND

The Board of Directors of Sunshine Holdings Limited (the “**Company**”) wishes to announce as follows:

On or about 2 April 2008 and pursuant to a bid submitted by the Company and its subsidiaries (the “**Group**”) (through its then wholly-owned subsidiary, Hainan Sunshine Elegant Jade Real Estates Co Ltd (“**Hainan EJ**”)) in response to a sale by auction of a land parcel of approximately 70,598.43 square metres located at the northeast corner of the crossing of Heping Avenue and Haijiang Road, Haidian Island, HaiKou City, Hainan Province, the People’s Republic of China (the “**Property**”), the Group was awarded the contract to purchase the Property at an acquisition price (inclusive of auction commission) of RMB166,832,500 (the “**Awarded Contract**”). Pursuant to the Awarded Contract, the Group placed a deposit with the seller of the Property pending the completion of the acquisition of the Property. However, as the Property is located in Hainan Province, the Company is required to seek the specific approval of Deutsche Bank AG, London Branch and United Overseas Bank Limited, Labuan Branch (collectively, the “**Lenders**”), in order that the proceeds of the US\$120 million loan granted by the Lenders (the “**US\$120 million Loan**”)⁽¹⁾ may be used for the acquisition of the Property as Hainan Province is not one of the provinces pre-approved by the Lenders. After further consideration and discussion with the Lenders, the Group decided not to proceed with the completion of the acquisition of the Property with proceeds from the US\$120 million Loan. Therefore, on 3 July 2008, the Group disposed of its interest in the Awarded Contract by way of a sale of Hainan EJ at cost to Xinxiang Shi An Tai Commerce Co., Ltd (“**XSAT**”) (新乡市安泰商贸有限公司), a PRC domestic enterprise owned by Climbing Ace Limited (“**Climbing Ace**”), a British Virgin Islands entity, through an intermediate PRC holding company known as Xinxiang Gaojie Technology Development Co., Ltd (新乡高捷科技发展有限公司), with the understanding that the Group will forge an arrangement with Climbing Ace to jointly develop the Property. Climbing Ace is 100% owned by Mr. Wang Laisheng (the “**Climbing Ace Shareholder**”).

In reaching the agreement for Climbing Ace to buy over the interest in the Awarded Contract through the acquisition of Hainan EJ and recognizing the expertise of the Group in the property development sector, the Climbing Ace Shareholder has accordingly required, as a condition subsequent, that the Group jointly develop the Property. In view of the Group’s long-term strategy to expand its property development business to other provinces in the PRC, the Group (through the Company’s wholly-owned subsidiary, Elegant Jade Enterprise Limited (“**Elegant Jade**”)) agreed to acquire 51% of the issued and paid-up share capital of Climbing Ace from the Climbing Ace Shareholder (the “**Proposed Acquisition**”), subject to the approvals or consents (if at all required or necessary) from the Lenders and Forum Asian Realty Income II, L.P. (“**Forum**”), the existing holder of the US\$32 million 7% subordinated convertible bonds due 2011 issued by the Company on or about 6 December 2006 (the “**Convertible Bonds**”)⁽²⁾. Upon completion of the Proposed Acquisition, the Group will become jointly interested with the Climbing Ace in the development of the Property via its majority shareholding in Climbing Ace.

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- (1) Please refer to the Company’s announcement of 6 November 2007 for details on the US\$120 million loan granted by the Lenders to the Company.
- (2) Please refer to the Company’s announcement of 13 November 2006 for details on the US\$32 million 7% subordinated convertible bonds due 2011 issued by the Company.

DISPOSAL OF HAINAN EJ

In order for the Company to dispose of its interest in the Awarded Contract, the Company via its subsidiaries, Henan Sunshine Elegant Jade Real Estate Co., Ltd and Henan Elegant Jade Commercial Real Estate Co., Ltd which had equity interest of 90% and 10% respectively in Hainan EJ, entered into the sale and purchase agreement dated 3 July 2008 to effect the sale of Hainan EJ to XSAT by way of transferring the entire equity interest in Hainan EJ of RMB20,000,000 and with XSAT assuming the outstanding sum of RMB146,832,500 due from Hainan EJ to the Group (the “**Disposal**”).

There was no financial effect on the Group as the Disposal was carried out at the Awarded Contract's acquisition price of RMB166,832,500 (inclusive of auction commission) in cash.

THE PROPOSED ACQUISITION

The principal terms and conditions pertaining to the Proposed Acquisition are set out below:

Sale and Purchase Agreement

In connection with the Proposed Acquisition, Elegant Jade has on 15 July 2008 entered into a conditional sale and purchase agreement (the “**S&P Agreement**”) to acquire from the Climbing Ace Shareholder 25,500 ordinary shares of par value US\$1.00 each in the capital of Climbing Ace (the “**Climbing Ace Sale Shares**”), which constitutes 51% of the total prevailing issued and paid-up share capital of Climbing Ace. The consideration for the Proposed Acquisition is to be settled by the allotment and issuance of new ordinary shares in the capital of the Company in favour of the Climbing Ace Shareholder or to his order.

Conditions Precedent

The completion of the Proposed Acquisition under the S&P Agreement is conditional upon, among others, the following:

- (a) there being no breaches of the warranties, covenants and undertakings of the S&P Agreement required to be performed by the parties to the S&P Agreement;
- (b) if required, the consent of the Lenders on terms reasonably acceptable to the Group;
- (c) if required, the consent of Forum on terms reasonably acceptable to the Group;
- (d) such approvals and consents as may be necessary from any relevant competent authority or regulatory body, including that of the Cayman Islands, the British Virgin Islands and the PRC, for the transactions contemplated under the S&P Agreement being obtained, and not withdrawn or amended, on or before the completion date for the S&P Agreement;
- (e) if required, the approval of the shareholders of the Company for the S&P Agreement and the transactions contemplated thereunder;
- (f) the Company having obtained approval in-principle from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the listing and quotation of the Consideration Shares (as defined below) to be issued to the Climbing Ace Shareholder or to his order under the S&P Agreement, such approval in-principle not being revoked or amended; and
- (g) all of any other conditions precedent to completion of the S&P Agreement either being satisfied or waived by the parties to the S&P Agreement.

Acquisition Consideration

Subject to the satisfaction of the conditions precedent to the S&P Agreement (or waiver thereof in accordance with the provisions of the S&P Agreement), the aggregate consideration payable for the Climbing Ace Sale Shares (the “**Acquisition Consideration**”) shall be the sum of S\$16,669,696, which will be satisfied in full by the allotment and issuance of an aggregate of 146 million new ordinary shares of par value S\$0.0625 in the issued and paid-up share capital of the Company (the “**Consideration Shares**”) to the Climbing Ace Shareholder or such person or entity as the Climbing Ace Shareholder may direct, credited

as fully paid-up, at an issue price of S\$0.114176 per share (the “**Issue Price**”). In determining the Acquisition Consideration, the Board of Directors has taken into consideration the circumstances that:

- (a) the Awarded Contract is still pending for completion;
- (b) the Acquisition Consideration is about 51% of the acquisition costs payable for the Property under the Awarded Contract; and
- (c) the Property will be developed by the Group and Climbing Ace on a joint venture basis.

The Consideration Shares (when issued) represent 17.55% of the existing issued and paid-up capital of the Company as at the date of this announcement and will represent 14.93% of the issued and paid-up capital of the Company on a fully diluted and enlarged basis (but assuming no conversion has taken place under the terms of the Convertible Bonds).

The Issue Price equals the weighted average price of the shares of the Company of S\$0.114176 per share as traded on the SGX-ST on 14 July 2008, being the full market day immediately preceding the day on which the S&P Agreement was signed.

RATIONALE FOR THE DISPOSAL AND THE PROPOSED ACQUISITION

The Company believes that the Disposal and the Proposed Acquisition:

- (a) would allow it to acquire rights, title and interest over land and properties which relate to the core business presently undertaken by the Group; and
- (b) would enhance the Group’s efforts in the expansion of its business, particularly, the Group’s expansion of its business into other provinces of the PRC.

FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The pro forma financial effects of the Proposed Acquisition are set out below purely for illustrative purposes and are neither indicative of the actual financial effects of the Proposed Acquisition on the consolidated net tangible assets (“**NTA**”) and earnings per share (“**EPS**”) of the Company, of the financial performance of the Company for the financial year ended 31 December 2007.

The pro forma financial effects have been prepared based on the financial statement of the Company for the financial year ended 31 December 2007, assuming that the transaction had been completed on (a) 1 January 2007 for illustrating the financial effects on the consolidated earnings of the Company, and (b) 31 December 2007 for illustrating the financial effects on the consolidated NTA of the Company.

Shareholders should note that pursuant to the terms and conditions of Convertible Bonds, adjustment will be made to the Issue Price in accordance with condition 6(c)(vi) of the Convertible Bonds. The conversion price after such adjustment shall be reduced from S\$0.3000 per share to S\$0.2775 per share (the “**Conversion Price**”). The Conversion Price is subject to the Convertible Bonds holder’s agreement.

NTA

	Before the Proposed Acquisition	After the Proposed Acquisition	After the Proposed Acquisition on a fully diluted basis⁽¹⁾
NTA (RMB’000)	834,212	840,995	840,995
Number of Shares	832,000,000	978,000,000	1,217,891,777
NTA per Share (Singapore cents)	19.80	16.94	13.60

Earnings

	Before the Proposed Acquisition	After the Proposed Acquisition	After the Proposed Acquisition on a fully diluted basis⁽¹⁾
Profit after tax (RMB’000)	56,014	55,996	58,015
Weighted average number of Shares	832,000,000	978,000,000	1,217,891,777
Earnings per Share (Singapore cents)	1.33	1.25	0.94

Note:

- (1) Assuming that Forum converts all of its Convertible Bonds at the applicable conversion price and that the 60,000,000 outstanding employee options issued pursuant to the Sunshine Employee Share Option Scheme, approved by the shareholders of the Company at an Extraordinary General Meeting held on 30 April 2007, are fully converted.

RELATIVE FIGURES UNDER RULE 1006

The Board of Directors has noted that the primary purpose of the proposed acquisition of the Climbing Ace Sale Shares is to acquire an interest in the Property and its development thereof (which is within the core business of the Group). **The Board of Directors is of the view that the Proposed Acquisition is accordingly in the ordinary course of the Group's business.**

However, solely for the information of shareholders, the relative figures for the Proposed Acquisition, computed on the bases set out in Rule 1006 of the SGX-ST Listing Manual, are set out below:

Rule 1006(a)

Net asset value of the assets to be acquired	- N.A. -
Net asset value of the Group	- N.A. -
Size of relative figure	- N.A. -

Rule 1006(b)

Net loss attributable to the acquired assets ⁽¹⁾	RMB(18,000)
Net profit of the Group	RMB56.01 million
Size of relative figure	Not meaningful

Rule 1006(c)

Aggregate value of consideration to be given ⁽²⁾	S\$16.67 million
The Company's market capitalization ⁽³⁾⁽⁴⁾	S\$94.99 million
Size of relative figure	17.55%

Rule 1006(d)

Number of equity securities to be issued by the Company as consideration	146,000,000
Number of equity securities in issue ⁽⁴⁾	832,000,000
Size of relative figure	17.55%

Notes:

- (1) Based on the unaudited figures provided to the Company by Climbing Ace for the period from 22 May 2006 (being the date of its incorporation) to 3 July 2008.
- (2) Based on the aggregate consideration payable under the S&P Agreement.
- (3) On the market day immediately preceding the date of the S&P Agreement, the weighted average trading price of the shares of the Company was S\$0.114176 per share.
- (4) On the market day immediately preceding the date of the S&P Agreement, the Company had 832,000,000 ordinary shares of par value S\$0.0625 each in issue.

The PROPERTY LOCATED IN HAINAN PROVINCE

The Group and Climbing Ace intend to develop the Property into residential high-rise and multi-storey apartments at a preliminary estimated Gross Floor Area of about 127,000 square metres. The Property is well located in the Haikou city, Hainan Province. Further particulars of the proposed development will be announced to shareholders when finalized.

INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN THE PROPOSED ACQUISITION

None of the directors and controlling shareholders (other than in their respective capacities as a director or shareholder of the Company) have any interest, direct or indirect, in the Proposed Acquisition.

None of the agreements relating to the Proposed Acquisition provides for the appointment of any other person to the Board of Directors of the Company pursuant to or in connection with the Proposed Acquisition.

A copy of the S&P Agreement is available for inspection during normal business hours at the offices of the Company at 21/F, Youzheng Building, 59 Huayuan Avenue, Zhengzhou 450003, Henan Province, People's Republic of China and the Company's Company Secretary at 333 North Bridge Road #08-00 KH Kea Building Singapore 188721 for 3 months from the date of this announcement

By Order of the Board

Guo Yinghui
Chairman

16 July 2008