



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

UPDATE ON PROPERTY MARKET CONDITIONS IN HENAN AND PROFIT GUIDANCE FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2008

The Board of Directors of Sunshine Holdings Limited (the “Company”) wishes to announce that due to the faster than expected deterioration of the property market conditions in China since the second half of 2008, which extended the spread from the first tier and coastal cities to the second and third tier cities as well as cities in the inland (including cities in the Henan Province), the Company and its subsidiaries (the “Group”) faces significant unprecedented challenges, plague with complexities and uncertainties, in developing its properties.

The accelerating deterioration was brought about as a result of a mix of several external and domestic unfavorable factors, attributed principally to the financial crisis in the global economy. Coupled with China’s inflation, a slowdown in the domestic economy and higher costs of borrowing, land, and construction, the demand for housing has been depressed. Sales volume and average selling prices of private housing declined sharply. As a result, potential buyers have chosen to stay on the sidelines, which led to the further deterioration of the housing market for the moment. While the central government has recently announced a series of supportive measures on the property market, including interest rate cuts to improve affordability of home purchases, the Group believes these measures will not improve market sentiment in the short term.

The above situation has resulted in a sharp drop in the Group’s level of profitability and tight cashflow. Consequently, the Group has decided to slow down or suspend the construction of certain projects, which have barely kick-started or are presently at stages before the pre-marketing launch stage. The slowdown or suspension of these projects will result in lower sales and slower recognition of earnings, but will enable the Group to maintain a certain level of cashflow to support its operations and future growth. The Group will monitor the market closely and kick-start selected projects, as appropriate.

Consequent to the above, the Group is expected to incur a loss for the financial year ending 31 December 2008.

With regard to the breach of certain financial covenants of the US\$32 million convertible bond (the “Convertible Bond”) and the US\$120 million syndicated loan (the “Syndicated Loan”) (which the Company has previously announced that, pending documentation, in-principle agreements were reached with the syndicate banks for the Syndicated Loan (the “Syndicate Banks”) and holders of the Convertible Bond (the “Convertible Bond Holders”)). Given the recent very rapid deterioration of the property market conditions, its impact on the Group and in view of the considerations stated above, the Group is engaged in further discussion with the Syndicate Banks and the Convertible Bond Holders for further revised terms. Shareholders will be updated with the progress of the discussions.

The Board of Directors are of the view that very rapid deterioration of property market conditions in China’s second and third tier cities exceeded expectations of developers and brought about challenges for the market. The Group has moved swiftly to meet market challenges. Besides slowing down the rate of project development, the Company has also stepped up promotional efforts and cost cutting measures. To-date, the Company has retrenched approximately 92 employees or approximately 23% of its total staff strength of 388 employees. This brought down its staff costs by 23% correspondingly.

By Order of the Board

Guo Yinghui
Chairman

31 December 2008