

RESPONSE TO THE QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”) IN RESPECT OF THE RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009 (“FY 2009”)

Unless otherwise stated, all capitalized terms herein shall have the same meanings as that ascribed in the unaudited FY 2009 results announcement of Sunshine Holdings Limited (the “Company”) and its subsidiaries (the “Group”) as made by the Company on 1 March 2010 (the “Announcement”).

We append below our replies to the following respective queries from the SGX-ST dated 8 March 2010 concerning the Announcement.

The SGX-ST’s query 1

Under Paragraph 5 of the Group’s write up on changes in accounting policies and methods of computation, the Group stated that “the adoption of the above IFRS and INT did not result in any substantial change to the Group’s accounting policies nor any significant impact on the financial statements except for the following: IFRS 27 (Revised) and IFRS 3 (Revised)”. Please quantify the impact of adopting IFRS 27(Revised) and IFRS 3 (Revised) has on the Group’s financial statements.

The Company’s reply

IFRS 27 (Revised), which deals with consolidated and separate financial statements, will affect accounting treatment for changes in a parent’s ownership interest in a subsidiary in the group’s consolidated financial statements and is effective on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

IFRS 3 (Revised) deals with accounting for business combination transactions and is effective for business combinations for acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The impact can only be determined once the detail of the future combination transactions is known.

Consequently, IFRS 27 (Revised) and IFRS 3 (Revised) have no material impact on the earnings and net tangible assets per share of the Company for the financial year ended 31 December 2009. The management anticipates the adoption of the revised IFRS 27 and IFRS 3 will have an impact on the future consolidated financial statements of the Group and of the Company in the period of their initial adoption. We will keep shareholders informed if there is a financial impact in the period of their initial adoption.

The SGX-ST's query 2

Paragraph 10 of the Group's commentary did not include the Group's comments on the competitive conditions of the industry in which the Group operates in. Kindly announce the Group's comments on the competitive conditions of the industry and how it may affect the group.

The Company's reply

Following the economic slowdown aggravated by the financial crisis in 2008, the Henan province had weathered it through in 2009, registering a GDP of about RMB1.94 trillion at a year-on-year growth of about 10.7%. Riding on the economic rebound, the property sector in Henan had also staged a recovery in 2009, with sales of residential property attaining a year-on-year growth of about 54.9%. During FY 2009, the revenue of our Group correspondingly increased by about RMB118.6 million or 57.6% from about RMB205.8 million in FY 2008 to about RMB324.4 million in FY 2009.

The conclusion of the Off-Shore Debts Settlement in 2009 had significantly improved our working capital position by RMB292.6 million or 83.0% from RMB352.5 million as at 31 December 2008 to RMB645.1 million as at 31 December 2009 and our net gearing (defined as the ratio of the interest bearing borrowings to equity) from 175.1% as at 31 December 2008 to 8.1% as at 31 December 2009. We also reversed our operating cash flow position from a negative RMB337.6 million for FY 2008 to a positive RMB278.8 for FY 2009. Consequential to which, we also significantly improved on our net tangible asset value by RMB208.0 million or 33.6% from RMB619.8 million as at 31 December 2008 to RMB827.9 million as at 31 December 2009 and the net tangible per share by S\$0.041 or 30.6% from S\$0.134 as at 31 December 2008 to S\$0.175 as at 31 December 2009.

More importantly, the conclusion of the Off-Shore Debts Settlement has now left us with more rooms to decide on our future plans. We are currently conserving our resources while awaiting for the opportunities to re-position ourselves to take advantage of the recovery in the property market scene in Henan and beyond in China. With a view to enhance sustainable property development and achieve a better return for shareholders, we will consider a variety of measures to strengthen our resources, including but not limited to capital injection via alliance with strategic investors to develop new projects which command higher margins and increase our land reserve.

We will keep shareholders informed of our future plans once they have been firmed up.

BY ORDER OF THE BOARD

Mr Guo Yinghui
Chairman

10 March 2010