

**RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE "SGX-ST") IN RESPECT OF THE RESULTS ANNOUNCEMENT FOR THE 6-MONTH PERIODS ENDED 30 JUNE 2009 (THE "2Q2009 RESULTS")**

With reference to the queries from the SGX-ST dated 20 August 2009 in connection with the results announcement made by Sunshine Holdings Limited (the "Company") on 12 August 2009 in respect of the 2Q2009 Results, we append our replies as follows:

**SGX-ST Query 1**

The Group recorded an increase of 14% or RMB44.9 million in 'prepayments and other receivables' to RMB360 million from FY2008 to 2Q2009 despite the decrease of 41% in the Group's revenue. Please provide a breakdown of the major items comprising the increase in 'prepayments and other receivables' and elaborate on the reasons for any significant increases in each of these items.

The Company's reply

A breakdown of the major items comprising the increase of RMB44.9 million in the Group's prepayments and other receivables is summarized as follows:

Description	As at 30 Jun 09 RMB'000 (Unaudited)	As at 31 Dec 08 RMB'000 (Audited)	Variance Increase/ (Decrease) RMB'000	Note
Payments to suppliers/contractors	22,742	19,471	3,271	(a)
Prepaid expenses and deposits	12,801	18,149	(5,348)	(b)
Advances to staff	767	1,124	(357)	
Loan due from a third party	33,178	-	33,178	(c)
Other receivables	10,589	12,207	(1,618)	(d)
Other tax recoverable	24,784	8,984	15,800	(e)
<b>TOTAL</b>			<b>44,926</b>	

**Notes:**

- The increase was attributed mainly to progressive payments made to suppliers/contractors for the ongoing construction of projects which have yet been completed.
- The decrease was attributed mainly to the refund of rental deposits (with cash received) following the sub-leasing of a project.
- This arose due to a reclassification. As at 31 December 2008, the amount was recorded as a sum due from a former subsidiary and the same was eliminated upon consolidation. As at 30 June 2009, the amount was re-classed as a loan due from a third party following the disposal of the former subsidiary subsequent to 31 December 2008.
- The decrease was a consequence following the disposal of two former subsidiaries.
- Other tax recoverable comprised taxes prepaid for business taxes, corporate income tax, land use tax, etc. The increase was attributed mainly to the cumulative effect of tax prepayments and early tax collections by the local tax authority.

## SGX-ST Query 2

In the Balance Sheet, 'amounts due from related parties' increased 15% or RMB15.2 million from FY2008 to 30 June 2009. The Group disclosed that these 'amounts due from related parties' are "interest-free and repayable on demand". With respect to these amounts, please elaborate on the following:

- (i) Who these related parties are;
- (ii) Reasons for the increase in 'amount due from related parties';
- (iii) Nature of these transactions which resulted in these amounts owing to the Group; and
- (iv) Whether these transactions are within normal credit terms.

### The Company's reply

A breakdown of the Group's related parties' balance as at 30 June 2009 and as at 31 December 2008 is as follows:

	As at 30 Jun 09 RMB'000 (Unaudited)	As at 31 Dec 08 RMB'000 (Audited)	Variance Increase/ (Decrease) RMB'000	Note
Amounts due from minority shareholders	80,027	80,027	-	(a)
Amounts due from other related parties	34,222	19,009	15,213	(b)
<b>TOTAL</b>	<b>114,249</b>	<b>99,036</b>		
Amounts due to a minority shareholder	5,400	5,995	(595)	
Amounts due to a director	12,107	14,578	(2,471)	
Amounts due to other related parties	23,798	8,585	15,213	(b)
<b>TOTAL</b>	<b>41,305</b>	<b>29,158</b>		

### **Notes:**

- (a) The amount due from a minority shareholder to facilitate a project development is secured by the minority shareholder's 49% equity interest in one of the subsidiaries of the Group. It is non-interest bearing and repayable within the next 12 months.
- (b) The other related parties comprised principally companies directly or indirectly owned by the Chairman of the Company. The amounts due from the other related parties are unsecured, non-interest bearing and repayable upon demand, and these transactions were carried out as part of the working capital management of the Group. The increase in amounts due from the other related parties of RMB 15.2 million was exactly offsetted by an amount of the same magnitude in amounts due to the other related parties.

## SGX-ST Query 3

We note that the Group suspended/halted several projects since late 2008. In relation to these projects, please elaborate on the following:-

- (i) The materiality of these projects with respect to the Group's total portfolio;
- (ii) Whether the delay will have any material impact on the Company's financial resources as a result of the suspension/halt;
- (iii) Percentage of each project pre-sold to date;
- (iv) Cost of construction to date;
- (v) Whether any provisions of diminution in value of each of the properties is required arising from the suspension/halt;
- (vi) Whether any contingent liabilities may be incurred;
- (vii) Whether the Group may face lawsuits or penalties due to the delays; withdraw or compensate them

- (viii) Whether this will cause any loan defaults or result in any mandatory termination of existing loans and if so, whether the Group is able to meet its short-term obligations as and when they fall due; and  
 (ix) Whether there is any other material financial impact on the Group.

The Company's reply

The following are the projects which the Group had commenced development but subsequently halted their construction (collectively, the "Projects"):

- (1) the Zhoukou Sunshine Peninsula phase 1 project (周口阳光半岛城邦第一期) (the "Zhoukou Project"); and
- (2) the Xinxiang Sunshine New Town phase 1 project (新乡阳光新城第一期) (the "Xinxiang Project").

Save for the Projects, the other projects of the Group which had been suspended/halted comprised mainly projects for which construction has yet to commence and hence are not materially implicated by the queries raised by the SGX-ST.

Corresponding to the same numbering as the queries from the SGX-ST, we append our replies as follows:

**Question    Reply from the Company**

- (i) The projects which had been suspended/halted constituted substantially the Group's entire portfolio. The decision to suspend/halt these projects was taken when the Group was in face of extreme adverse macro and micro conditions in 2008 and due to the need to resolve with the lenders on the possible restructuring of the defaulted US\$120 million syndicated loan and the US\$32 million convertible loan (collectively, the "Defaulted Loans"). Notwithstanding which, the Group has since gradually resumed the construction of the Projects.

- (ii) The suspension/halt of projects in the short term have, on the one hand, restrained the Group's ability in generating cash inflows while, on the other hand, helped the Group conserving its cash resources which otherwise would have been utilized for the construction of projects.

- (iii) As at 30 June 2009:

<b>Name of Project</b>	<b>Gross floor area ("GFA") of pre-sales as a % of total GFA of the Project available for sales</b>
1. The Zhoukou Project	Approximately 14%
2. The Xinxiang Project	Approximately 50%

- (iv) As at 30 June 2009:

<b>Name of Project</b>	<b>Construction costs (excluding land cost) incurred RMB'000</b>
1. The Zhoukou Project	72,106
2. The Xinxiang Project	104,352

- (v) Diminution in the value of all projects of the Group, where applicable, had been provided as at 31 December 2008 based on the market values of comparable projects less estimated cost to completion. The Company is of the view that there are adequate provisions made in respect of the diminution in value of projects as at 30 June 2009. On an ongoing basis, the Company will review the adequacy of the provisions.

- (vi) The halt of the Projects may result in the Group having to refund the sales deposit should the buyers concerned decide to withdraw their purchases or the Group incurring certain additional costs for not having delivered the relevant purchased units on time. Both the maximum refund and the quantum of the additional costs, which cannot be quantified at the present moment as no concrete decision has yet been made by the relevant buyers, are not expected to be significant relative to the sales deposits collected or to be collected and the operating costs incurred or to be incurred in respect of each of the Projects respectively.

- (vii) The Group presently has not faced any legal suit from buyers of the properties at the Projects. The recourse to any buyer of property in taking legal action against the Group due to the halt of the Projects is the same as those disclosed in our reply to query (vi) above.
- (viii) Other than the Defaulted Loans, the suspension/halt of projects will not result in any loan default or mandatory termination of other existing loans. Active negotiations are ongoing with the lenders of the Defaulted Loans on the possible restructuring of the loans. Pending the outcome of the negotiation with the lenders of the Defaulted Loans, the Group is able to meet its short-term obligations as and when they fall due.
- (ix) Save as disclosed above, there is no other material financial impact on the Group.

**BY ORDER OF THE BOARD**  
**Mr Guo Yinghui**  
**Chairman**

25 August 2009