SUNSHINE HOLDINGS LIMITED
阳 光 控 股 有 限 公 司

**Company Registration No. CT-140095**

**RESPONSE TO THE QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") IN RESPECT OF THE COMPANY'S RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 ("FY2010")**

***Unless otherwise stated, all capitalized terms herein shall have the same meanings as that ascribed in the unaudited results announcement of Sunshine Holdings Limited (the "Company") and its subsidiaries (the "Group") for FY2010 made by the Company on 1 March 2011 (the "Announcement").***

We append below our replies to the following queries from the SGX-ST dated 4 March 2011 concerning the Announcement.

**<u>The SGX-ST's query 1</u>**

**We note that revenue for 4QFY2010 amounted to RMB98 million in comparison to revenue of 4QFY2009 of RMB44 million. Please provide details to explain the significant difference.**

<u>The Company's reply</u>

The Group's overall revenue increased by RMB54.2 million or by more than 2-fold from RMB43.7 million in 4QFY2009 to RMB97.9 million in 4QFY2010.

The revenue for 4QFY2010 relates mainly to the sale and delivery of completed units from two projects, namely the Xinxiang Sunny Town Project (新乡阳光新城项目) and Zhoukou Yangguang Peninsula City Project (周口阳光半岛城邦项目), for a combined estimated gross sale area of about 55,685 metres ("sqm"). The revenue attained in 4QFY2009, on the other hand, relates mainly to the sale and delivery of completed units from the Xinxiang Sunny Town Project (新乡阳光新城项目) alone, for an estimated gross sale area of about 24,738 sqm. Besides, with the Zhoukou Yangguang Peninsula City Project (周口阳光半岛城邦项目) gradually resuming development works only in March FY2009, after being suspended for almost one year since FY2008, most of its property sales were recognized in Q4FY2010 after the completion and delivery of units in 4QFY2010.

**<u>The SGX-ST's query 2</u>**

**The Company disclosed that it has disposed all units for a certain completed property through an en-bloc arrangement below book value, leading to an impairment loss of RMB11.5 million for FY2010. Please provide more details on this transaction including:**

- **i) Details of the relevant property involved**
- **ii) Details of the buyer and whether the buyer is related to the Group**
- **iii) Reasons for selling below book value despite the Company's view that "The buoyancy of the Henan Province…. witness an improvement in the property sentiments of the province in FY2010 which lead to an enhancement of the valuation of the Group's properties….**

<u>The Company's reply</u>

As disclosed in our FY2009 Annual Report (under the notes to the Group's balance sheet in connection with prepayments and other receivables), the Group terminated a jointly-controlled operation in FY2008 and in return was granted various properties from the joint-venture partner in exchange for the Group's properties under development for sale pursuant to the jointly-controlled operation. The 50 completed commercial units located at Yuhua Wenguiyuan in Zhengzhou city with an estimated gross floor area of 6,555 sqm (the "Wenguiyuan Project") were part of the properties granted by the joint-venture partner and these were reflected as part of the completed properties for sale in the balance sheet of the Group as at 31 December 2010.

In Q1FY2011, the Group entered into a sale and purchase agreement with a third party who is not related to the Group, Mr Zhoukai, for an *en-bloc* disposal of the Wenguiyuan Project at a consideration below the book value for reasons due to the *en-bloc* nature of the disposal and the Conversion Matter (as explained below) (the "Wenguiyuan Disposal").

The land of the Wenguiyuan Project, under its existing legal rights procured pursuant to the affordable housing scheme promoted by the Chinese authorities in easing home ownership among the less well to do, was legally permitted only for the building of residential units (with restrictive conditions for second-hand sales and transfers) which target low-income purchasers. The sale of any commercial unit developed within such a parcel (as in the case of the Wenguiyuan Project) would require that applications be made to the relevant local authorities and payments be made for additional fees, including land transfer fee, deed tax, business tax and land appreciation tax, which the Group has yet to do so (the "Conversion Matter"). In face of curtailed enthusiasm from potential purchasers (as a result of the Conversion Matter) and with a view to save costs and avoid the lengthy application process to resolve the Conversion Matter, the Group decided to sell the Wenguiyuan Project at a discount via an *en-bloc* arrangement. Besides, the Wenguiyuan Disposal also provides additional liquidity for the Group.

Had the Wenguiyuan Disposal not been carried out and the Group resolves the Conversion Matter on its own and subsequently sell the completed commercial units of the Weneguiyuan Project on a piece-meal basis, no impairment of the Wenguiyuan Project would have been entailed.

**The SGX-ST's query 3**

**We note that the partial disposal of an equity interests in Climbing Ace has resulted increases in both the amounts due from associated company by RMB102 million and the amounts due from related parties by RMB31 million. Please provide the following details on each of the two outstanding amounts:**

**i) Why such amount remain outstanding and were not paid at the completion of the disposal;**
**ii) Whether such outstanding amounts are recoverable, the repayment terms and expected date of collection;**

The Company's reply

As stated in the announcement made by the Company on 11 November 2010, Sunshine Holdings Limited (the "Company"), through its wholly-owned subsidiary, Elegant Jade Enterprises Limited (美基企业有限公司) ("Elegant Jade"), has entered into a sale and purchase agreement (the "Agreement") with Glossmei Limited (高士美有限公司) ("Glossmei" or the "Related Party"), an existing substantial shareholder of the Company with an equity interest of 14.93%, to dispose 11% of Elegant Jade's existing equity interest of 51% in Climbing Ace Limited (攀峰有限公司) ("Climbing Ace" or the "Associated Company") to Glossmei for cash of RMB30 million (the "Disposal") (the "Disposal Consideration").

Prior to the Disposal, Climbing Ace was co-owned by Elegant Jade and Glossmei at the shareholdings of 51% and 49% respectively. Subsequence to the Disposal, Climbing Ave was co-owned by Elegant Jade and Glossmei at the shareholdings of 40% and 60% respectively and ceased to be a subsidiary but held as an associated company of Elegant Jade.

As at 31 December 2010:

1. the amount due from the Related Party was RMB100.0 million (which includes the Disposal Considerations of RMB30.0 million); and
2. the net amount due from the Associated Company was RMB95.3 million.

Collectively, the amounts due to the Group from the Related Party and the Associated Company aggregate RMB195.3 million (the "Aggregate Balance"), of which RMB23.49 million is expected to be repaid to the Group by 30 June 2011.

In accordance to the repayment terms stipulated in the Agreement, the Related Party and Associated Company will repay the balance of the Aggregate Balance to the Group, subsequent to the commencement of sale of competed units at the Hainan Project undertaken by Climbing Ace in the second half of FY2011, as follows:

1) RMB50 million by 31 December 2011
2) RMB50 million by 31 December 2012
3) RMB71.81 million by 31 December 2013

**The SGX-ST's query 4**

**We note that that the Company intends to diversify into other ventures, including but not limited to resource related businesses. Please provide details on why the Company wishes to diversify from the its current business and the plans for its current business**

The Company's reply

The increased tightening of measures promulgated by the Chinese Government in recent years in curbing soaring property prices coupled with the ever rising land prices in China and hence the higher amounts of deposits demanded of successful land biddings, despite the curbing measures introduced, are posing constraints for the Group to accumulate its land bank. Further, banks in China are also facing increased tightening pressures from the Chinese authorities for them to extend loans for property developments. This in turn makes it all the more difficult for the Group to procure bank loans to fund any new property development.

In view of the above, the Group will focus on developing its current existing properties. While continue seeking for new property development opportunities, the Group also actively explores with relevant personnel and authorities to diversify into other ventures, including but not limited to resource related businesses.

**BY ORDER OF THE BOARD**

**Mr Guo Yinghui**
**Chairman and CEO**

7 March 2011