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SUNac 融創中國
SUNAC CHINA HOLDINGS LIMITED
融創中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01918)

- (1) POSSIBLE TRANSACTIONS IN CONNECTION WITH THE
RESTRUCTURING INVOLVING, AMONG OTHERS:**
- (a) ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;
(b) ISSUE OF MANDATORY CONVERTIBLE BONDS UNDER
SPECIFIC MANDATE; AND
(c) ISSUE OF CONTROLLING SHAREHOLDER BOND UNDER
SPECIFIC MANDATE – CONNECTED TRANSACTION;**
- (2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND
(3) NOTICE OF EGM**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A letter from the Board is set out on pages 14 to 60 of this circular. A letter from the Independent Board Committee is set out on pages 61 to 62 of this circular.

A letter from Opus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 63 to 93 of this circular.

A notice convening the EGM of Sunac China Holdings Limited to be held at the Meeting Room, 2nd Floor, No. 522, Wangjing Dongyuan, Chaoyang District, Beijing, PRC on Friday, 30 June 2023 at 10:00 a.m. or immediately after the conclusion of the annual general meeting of the Company to be held on the same day, whichever is later, is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the respective websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.sunac.com.cn). Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting at the meeting if they so wish and in such event, the form of proxy shall be deemed to be revoked.

13 June 2023

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

- “90-Trading Day-VWAP” the VWAP for the 90 trading days immediately preceding the relevant calculation date, provided that where any event giving rise to any adjustment as set out in the paragraph headed “Adjustment events” in the principal terms of the MCB as set out in this circular occurs during any such 90 trading days for the purposes of calculating the 90-Trading-Day VWAP, the share prices in the relevant Adjustment Period shall be subject to adjustments for such event in the same manner as set forth in the paragraph headed “Adjustment events” in the principal terms of the MCB, further provided that each such adjustment shall be effective on each date during the relevant Adjustment Period. For this purpose, “Adjustment Period” means, with respect to any 90-Trading-Day VWAP calculation period, the period from and including the first date of such 90-Trading-Day VWAP calculation period and ending on the trading day immediately prior to the date on which the event giving rise to the relevant adjustment is first publicly announced
- “Accreted Value” with respect to any outstanding CB, means, as of any date, an amount equal to the sum of (i) the initial nominal principal amount of such CB issued on the issue date of such CB and (ii) the PIK Interest paid or due and payable through such date less for the avoidance of doubt (iii) any amounts of CB partly redeemed, repurchased or converted in accordance with the terms and conditions of the CB
- “Ad Hoc Group” an ad-hoc group of offshore creditors of the Company who are Consenting Creditors, representing over 30% of the aggregate outstanding principal amount of the Existing Debt

DEFINITIONS

“Affiliate”	means, with respect to any person, any other person (i) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such person; (ii) who is a director or officer of such person or any subsidiary of such person or of any person referred to in clause (i) of this definition; or (iii) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a person described in clause (i) or (ii). For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling”, “controlled by” and “under common control with”), as applied to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities, by contract or otherwise
“Agreed Form”	the form agreed in writing between the Company and the Majority Ad Hoc Group, in each case acting reasonably, and in a form consistent in all material respects with the RSA
“Announcement”	the announcement of the Company dated 13 June 2023 in relation to the possible transactions in connection with the Restructuring involving, among others, (a) the issue of the CB under the Specific Mandate, (b) the issue of the MCB under the Specific Mandate, (c) the Disposal, (d) the issue of the Controlling Shareholder Bond under the Specific Mandate and (e) the Increase in Authorised Share Capital
“Board”	the board of the Company
“Cash Sweeps”	the Specified Asset Cash Sweep, the Other Specified Asset Cash Sweep and the Relevant 1516 Shares Cash Sweep, details of each of which are set out in the announcement of the Company dated 28 March 2023
“CB”	the 1.0/2.0 per cent. convertible bonds for a term of 9 years to be issued by the Company
“CB Conversion Period”	the period during which the CB can be converted into the Shares

DEFINITIONS

“CB Conversion Price”	the conversion price per Share (subject to adjustments) in respect of the CB
“CB Conversion Shares”	the Shares to be issued upon conversion of the CB
“CB Issue”	the issue of the CB subject to the occurrence of the Restructuring Effective Date
“CB Relevant Events”	events including the Shares ceasing to be listed or admitted to trading on the Stock Exchange (or if applicable, an alternative stock exchange) and a change of control
“Change of Control”	<p>includes the occurrence of one or more of the following events:</p> <ul style="list-style-type: none">(i) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its restricted subsidiaries, taken as a whole, to any person, other than one or more Permitted Holders;(ii) the Company consolidates with, or merges with or into, any person (other than one or more Permitted Holders), or any person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding voting stock of the Company or such other person is converted into or exchanged for cash, securities or other property, other than any such transaction where the voting stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) voting stock (other than disqualified stock) of the surviving or transferee person constituting a majority of the outstanding shares of voting stock of such surviving or transferee person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;

DEFINITIONS

- (iii) the Permitted Holders collectively cease to be interested or control the specified level of the voting power of the voting stock of the Company;
- (iv) individuals who on the original issue date constituted the board of directors of the Company, together with any new directors whose election by the board of directors was approved by a vote of at least a majority of the directors present at the meeting voting on such election who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or
- (v) the adoption of a plan relating to the liquidation or dissolution of the Company

“Company”	Sunac China Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 01918)
“Consenting Creditors”	a person, on behalf of itself or, where such Consenting Creditor is an investment manager, on behalf of funds or accounts managed or advised by it, holding a beneficial interest as principal in the Existing Debt who has agreed to be bound by the terms of the RSA as a Consenting Creditor in accordance with the terms of the RSA
“Controlling Shareholder” or “Sunac International”	Sunac International Investment Holdings Ltd, a company incorporated in the British Virgin Islands, which is the controlling shareholder of the Company and is controlled by family trusts of Mr. Sun Hongbin, the chairman of the Board and an executive Director
“Controlling Shareholder Bond”	the zero-coupon convertible bond in principal amount of US\$450,000,000 to be issued by the Company to the Controlling Shareholder subject to the occurrence of the Restructuring Effective Date

DEFINITIONS

“Controlling Shareholder Bond Issue”	the issue of the Controlling Shareholder Bond pursuant to the terms of the Controlling Shareholder Bond Subscription Agreement subject to the occurrence of the Restructuring Effective Date
“Controlling Shareholder Bond Subscription Agreement”	the agreement to be entered between, among others, the Company and the Controlling Shareholder, pursuant to which the Controlling Shareholder Bond will be issued to the Controlling Shareholder subject to occurrence of the Restructuring Effective Date
“Controlling Shareholder Conversion Shares”	the Shares to be issued upon conversion of the Controlling Shareholder Bond
“Controlling Shareholder Loan”	the US\$450,000,000 loan extended by the Controlling Shareholder to the Group, including any corresponding on-lending arrangements
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of up to 449,356,068 existing Sunac Services Shares, representing approximately 14.7% of the total issued Sunac Services Shares as at the Latest Practicable Date, in connection with the Restructuring
“EGM”	the extraordinary general meeting of the Company to be convened and held at the Meeting Room, 2nd Floor, No. 522, Wangjing Dongyuan, Chaoyang District, Beijing, PRC on Friday, 30 June 2023 at 10:00 a.m. or immediately after the conclusion of the annual general meeting of the Company to be held on the same day, whichever is later, or any adjournment thereof, for the Shareholders to consider and, if thought fit, to approve by way of poll, the CB Issue and the MCB Issue (including the grant of the Specific Mandate for the issue of the CB Conversion Shares and the MCB Conversion Shares respectively) and the Increase in Authorised Share Capital and for the Independent Shareholders to consider and, if thought fit, to approve by way of poll, the Controlling Shareholder Bond Issue and the transactions contemplated thereunder (including the grant of the Specific Mandate for the issue of the Controlling Shareholder Conversion Shares)

DEFINITIONS

“Existing Debt”	the Company’s existing senior notes and other offshore instruments or debts in the principal amount of approximately US\$9,048 million (excluding secured offshore debts which the Company intends to deal with on a bilateral basis) plus any outstanding accrued and default interest and fees and charges payable thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Increase in Authorised Share Capital”	the proposed increase in the Company’s authorised share capital from HK\$1,000,000,000 divided into 10,000,000,000 Shares to HK\$1,500,000,000 divided into 15,000,000,000 Shares by creating an additional 5,000,000,000 unissued Shares
“Independent Board Committee”	an independent board committee comprising the independent non-executive Directors to advise the Independent Shareholders as to the fairness and reasonableness of the Controlling Shareholder Bond Issue and the transactions contemplated thereunder
“Independent Financial Adviser”	Opus Capital Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Controlling Shareholder Bond Issue and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders not required under the Listing Rules to abstain from voting on the resolution approving the Controlling Shareholder Bond Issue and the transactions contemplated thereunder including but not limited to the grant of the Specific Mandate for the issue of the Controlling Shareholder Conversion Shares
“Intercreditor Agreement”	the intercreditor agreement to be entered into between, among others, the trustees of the New Notes, the MCB and the CB, the Company and the Controlling Shareholder in connection with the share charges and to become effective upon the Restructuring Effective Date

DEFINITIONS

“JV Subsidiary Guarantee”	any guarantee of the payment of the New Notes, the CB or the MCB (as the case may be) under the terms of the New Notes, the CB or the MCB (as the case may be) by any JV Subsidiary Guarantor
“JV Subsidiary Guarantor”	a non-wholly owned restricted subsidiary which guarantees the payment of the New Notes, the MCB and the CB (as the case may be) as designated by the Company pursuant to the respective terms of the New Notes, the MCB and the CB (as the case may be) from time to time
“Latest Practicable Date”	9 June 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Majority Ad Hoc Group”	at any time, (a) the majority of the members in the Ad Hoc Group or (b) members of the Ad Hoc Group who hold (beneficially, as principal) an aggregate outstanding principal amount of more than 50% of the outstanding principal amount of the Existing Debt held in aggregate by the Ad Hoc Group at that time
“Majority Consenting Creditors”	at any time, Consenting Creditors who hold (beneficially, as principal) an aggregate outstanding principal amount of more than 66 ² / ₃ % of the outstanding principal amount of the Existing Debt held in aggregate by all Consenting Creditors at that time
“MCB”	the zero-coupon mandatory convertible bonds for a term of 5 years to be issued by the Company
“MCB Conversion Price”	the conversion price per Share (subject to adjustments) in respect of the MCB
“MCB Conversion Shares”	the Shares to be issued upon conversion of the MCB
“MCB Issue”	the issue of the MCB subject to the occurrence of the Restructuring Effective Date

DEFINITIONS

“MCB Minimum Conversion Price”	HK\$4 per Share, which may be adjusted upon the occurrence of the adjustment events set out in the paragraph headed “Adjustment events” in the principal terms of the MCB as set out in this circular
“New Notes”	up to eight series of new US\$ denominated senior notes in an aggregate principal amount that equals the total Existing Debt claims of the Scheme Creditors minus the aggregate principal amount of the CB, the aggregate principal amount of the MCB (if any) and the amount of Existing Debt claims exchanged for existing Sunac Services Shares under the Disposal (if any)
“Offshore Creditors’ Director”	the non-executive director nominated by an ad hoc group of creditors of the Company (if any)
“Pari Passu Guarantee”	a guarantee by the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor of indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor; provided that such guarantee ranks <i>pari passu</i> with the New Notes, the MCB and the CB, with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor, or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be
“Permitted Holders”	means any or all of the following: <ul style="list-style-type: none">(i) Mr. SUN Hongbin, the spouse, children and grandchildren of Mr. SUN Hongbin, and any family trust set up by any person listed in this clause (i);(ii) any Affiliate (other than an Affiliate as defined in clause (ii) or (iii) of the definition of Affiliate) of the person specified in clause (i);(iii) any person both the capital stock and the voting stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more persons specified in clauses (i) and (ii)

DEFINITIONS

“Permitted Pari Passu Secured Indebtedness”	indebtedness of the Company or any Subsidiary Guarantor which, on or after the date of issue of the New Notes, the CB or the MCB (as the case may be), becomes to be secured on the collateral securing the New Notes, the CB or the MCB (as the case may be) or guaranteed by any Pari Passu Guarantee <i>pari passu</i> with the security for the benefit of the trustee of the New Notes, the CB or the MCB (as the case may be) and the holders of the New Notes, the CB or the MCB (as the case may be) in accordance with the terms and conditions of the New Notes, the CB or the MCB (as the case may be)
“PIK Interest”	paid-in-kind interest
“PRC”	the People’s Republic of China
“Record Time”	the time designated by the Company for the determination of claims of Scheme Creditors for the purposes of voting at the Scheme Meeting
“Relevant Event”	occurs when: <ul style="list-style-type: none">(i) the Shares cease to be listed or admitted to trading on the Stock Exchange (or if applicable, an alternative stock exchange); or(ii) after the date falling 36 months after the Restructuring Effective Date or 30 September 2023, whichever is earlier, the Shares are suspended for a period equal to or exceeding 60 consecutive trading days on the Stock Exchange (or if applicable, an alternative stock exchange); or(iii) a Change of Control occurs
“Restructuring”	a consensual restructuring of the offshore indebtedness of the Company, to be conducted materially in the manner envisaged by, and materially on the terms set out in, the RSA

DEFINITIONS

“Restructuring Consideration”	the restructuring consideration to be distributed to the Scheme Creditors on the Restructuring Effective Date, being the New Notes, the CB, (if applicable) the MCB and (if applicable) the Sunac Services Shares, in exchange for the discharge and release of the relevant Existing Debt claims of the Scheme Creditors against the Company
“Restructuring Documents”	all documents, agreements and instruments necessary to implement the Restructuring in accordance with the RSA
“Restructuring Effective Date”	the day on which all the Existing Debt will be cancelled and all guarantees and share charges (if any) in connection with the Existing Debt will be released and the Restructuring Consideration will be distributed to the Scheme Creditors, with the conditions precedent to the Restructuring Effective Date having been either satisfied or waived (as the case may be)
“RMB”	Renminbi, the lawful currency of the PRC
“RSA”	the restructuring support agreement dated 28 March 2023 entered into by, among others, the Company and the Ad Hoc Group, as amended from time to time
“Scheme”	the scheme of arrangement proposed to be effected between the Company and the Scheme Creditors for the purpose of implementing the Restructuring, as contemplated under the RSA
“Scheme Creditors”	creditors of the Company whose claims against the Company and any Subsidiary Guarantors under the Existing Debt are (or will be) the subject of the Scheme
“Scheme Effective Date”	the date on which the sanction order is filed with the registrar of companies in the relevant jurisdiction of the Scheme at which time the Scheme shall become effective in accordance with its terms
“Scheme Meeting”	the meeting or meetings of the creditors of the Company whose claims against the Company are (or will be) the subject of the Scheme to vote on that Scheme convened pursuant to an order of the court (and any adjournment of such meeting)

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGX”	Singapore Exchange Securities Trading Limited
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of the Company
“Specific Mandate”	the specific mandate to be granted by the Shareholders at the EGM to issue the CB Conversion Shares and the MCB Conversion Shares and to be granted by the Independent Shareholders at the EGM to issue the Controlling Shareholder Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Investor”	any person not being a connected person of the Company at the Company level before entering into any agreement in respect of equity investment in the Company in respect of whom (a) the Board (at a meeting that all the Board members have the opportunity to attend) has made a determination (and recorded such determination in corporate authorisations that shall be shared with the Offshore Creditors’ Director at its reasonable request) in good faith that such person is likely to develop a material strategic relationship with the Company, including without limitation an acquisition of another entity or assets, in connection with and related to the Company’s present or future business, and its affiliates; and (b)(i) the Company or its shareholder(s) and such person have entered into a binding agreement in respect of the equity investment or (ii) such person has made a general or partial takeover offer
“Subsidiary Guarantee”	any guarantee of the payment of the New Notes, the CB or the MCB (as the case may be) under the terms of the New Notes, the CB or the MCB (as the case may be) by any Subsidiary Guarantor

DEFINITIONS

“Subsidiary Guarantor Pledgors”	collectively, Jujin Real Estate Investment Holdings Ltd, Ding Sheng Real Estate Investment Holdings Ltd and Zhuo Yue Real Estate Investment Holdings Limited and each other Subsidiary Guarantor which provides collateral to secure the obligations of the Company under the New Notes, the CB or the MCB (as the case may be) and of such Subsidiary Guarantor under its Subsidiary Guarantee; <i>provided</i> that a Subsidiary Guarantor Pledgor will not include any person whose pledge under the security documents has been released in accordance with the security documents, the New Notes, the CB or the MCB (as the case may be)
“Subsidiary Guarantors”	collectively, Sunac Real Estate Investment Holdings Ltd, Qiwei Real Estate Investment Holdings Ltd., Ying Zi Real Estate Investment Holdings Ltd, Jujin Real Estate Investment Holdings Ltd, Jujin Property Investment Holdings Limited, Ding Sheng Real Estate Investment Holdings Ltd, Ding Sheng Property Investment Holdings Limited, Zhuo Yue Real Estate Investment Holdings Limited and Zhuo Yue Property Investment Holdings Limited and any other restricted subsidiary which guarantees the payment of the New Notes, the MCB and the CB and “Subsidiary Guarantor” means any one of them; <i>provided</i> that a Subsidiary Guarantor will not include (a) any person whose Subsidiary Guarantee has been released in accordance with the terms of the New Notes, the MCB or the CB or (b) any JV Subsidiary Guarantor
“Sunac Services”	Sunac Services Holdings Limited, an exempted company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 01516)
“Sunac Services Investment”	Sunac Services Investment Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Sunac Services Shares”	ordinary shares of Sunac Services

DEFINITIONS

“Super Majority Ad Hoc Group”	at any time, (a) two-thirds or more of the members in the Ad Hoc Group or (b) members of the Ad Hoc Group who hold (beneficially, as principal) an aggregate outstanding principal amount of more than 66 ² / ₃ % of the outstanding principal amount of the Existing Debt held in aggregate by the Ad Hoc Group at that time
“Takeovers Code”	the Code on Takeovers and Mergers
“Tianjin Biaodi”	天津標的企業管理有限公司 (for identification only, Tianjin Biaodi Enterprise Management Limited), a company established in the PRC and which is wholly owned by Mr. Sun Hongbin
“US\$”	United States dollar, the lawful currency of the United States of America
“VWAP”	the volume-weighted average price per Share, a measurement that shows the average price of a security, adjusted for its volume

LETTER FROM THE BOARD

SUNac 融創中國

SUNAC CHINA HOLDINGS LIMITED

融創中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01918)

Executive Directors:

Mr. SUN Hongbin (Chairman)

Mr. WANG Mengde

(Chief Executive Officer)

Mr. JING Hong

Mr. TIAN Qiang

Mr. HUANG Shuping

Mr. SUN Kevin Zheyi

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Nankai District

Tianjin, The PRC

Postal code: 300381

Independent non-executive Directors:

Mr. POON Chiu Kwok

Mr. ZHU Jia

Mr. MA Lishan

Mr. YUAN Zhigang

Registered Office:

One Nexus Way

Camana Bay

Grand Cayman KY1-9005

Cayman Islands

13 June 2023

To the Shareholders

Dear Sir or Madam,

- (1) POSSIBLE TRANSACTIONS IN CONNECTION WITH THE
RESTRUCTURING INVOLVING, AMONG OTHERS:
- (a) ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;
(b) ISSUE OF MANDATORY CONVERTIBLE BONDS UNDER
SPECIFIC MANDATE; AND
- (c) ISSUE OF CONTROLLING SHAREHOLDER BOND UNDER
SPECIFIC MANDATE – CONNECTED TRANSACTION;
- (2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND
- (3) NOTICE OF EGM

LETTER FROM THE BOARD

1. INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide you with, among others, (a) details of the CB Issue and the MCB Issue and the transactions contemplated thereunder, including the issue of the CB Conversion Shares and the MCB Conversion Shares under the Specific Mandate; (b) details of the Controlling Shareholder Bond Issue and the transactions contemplated thereunder, including the issue of the Controlling Shareholder Conversion Shares under the Specific Mandate; and (c) details of the Increase in Authorised Share Capital, and to give you notice of the EGM.

2. BACKGROUND

References are made to the announcements of the Company dated 28 March 2023, 20 April 2023, 4 May 2023 and 13 June 2023 in relation to the Restructuring.

As set out in those announcements, the Company proposed to implement the Restructuring through the Scheme. As at the Latest Practicable Date, Consenting Creditors holding approximately 87% of the aggregate outstanding principal amount of the Existing Debt have acceded to the RSA. By such accession, the Consenting Creditors have undertaken to take all such actions as are necessary to, among other things, vote in favour of the Scheme in respect of the aggregate outstanding principal amount of all the Existing Debt held by them at the Record Time at the Scheme Meeting.

The restructuring involves, as part of the Restructuring Consideration and in exchange for the discharge and release of the relevant Existing Debt claims of the Scheme Creditors against the Company, the issue of the New Notes and the CB, and, if the Scheme Creditors so voluntarily elect, the issue of the MCB and the transfer of the existing Sunac Services Shares, in each case to the Scheme Creditors on the Restructuring Effective Date. At the same time, the Controlling Shareholder has agreed to equitise the Controlling Shareholder Loan through the subscription for the Controlling Shareholder Bond on terms that are no more favourable than the terms of the MCB. Such Controlling Shareholder Bond shall be subordinated in rights of payment to the New Notes, the MCB and the CB, on and pursuant to the terms of the Intercreditor Agreement.

This circular sets out further details on the key terms of the CB, the MCB and the exchange for existing Sunac Services Shares in connection with the Restructuring and the equitisation of the Controlling Shareholder Loan.

The Restructuring is conditional upon the following conditions being satisfied, or waived by the Majority Ad Hoc Group or Majority Consenting Creditors:

- (a) the obtaining of all relevant approvals or consents, including without limitation the occurrence of the Scheme Effective Date(s), relevant listing/quotation approvals-in-principle or conditional approvals for the New Notes on the SGX or

LETTER FROM THE BOARD

the Stock Exchange or another stock exchange with international standing, necessary approvals for the issuance and conversion of CB and MCB, including listing approval or conditional approval for the shares to be issued upon conversion of the CB and the MCB, unconditional approval from the Shareholders as required for the issuance of new Shares as contemplated with respect to the MCB and CB and any board approvals of the Company required to consummate the Restructuring;

- (b) the settlement in full of all the Ad Hoc Group's and the Company's fees, costs and expenses in respect of the Restructuring as set out in the RSA and any other professional fees in relation to the Existing Debt payable on or prior to the Restructuring Effective Date, under contracts or other arrangements entered into by the Company with financial or legal advisers or other professional parties for their services rendered in relation to the proposed Restructuring;
- (c) each Restructuring Document being in Agreed Form;
- (d) the appointment of the Offshore Creditors' Director, provided that the nomination of the Offshore Creditors' Director shall be made and submitted by the Ad Hoc Group to the Company not less than 30 days prior to the Restructuring Effective Date and such person shall satisfy the relevant qualifications;
- (e) the designation of one or more offshore bank account(s) (as agreed between the Company and the Ad Hoc Group) for the purposes of the Cash Sweeps;
- (f) the satisfaction of each of the specific conditions precedent contained in each of the Restructuring Documents;
- (g) conditional approval for the resumption of trading in the Company's listed Shares to occur following Restructuring Effective Date unless unconditional approval is obtained or trading in the Company's listed Shares has been resumed prior to the Restructuring Effective Date; and
- (h) the Company announcing the date set for the Restructuring Effective Date.

The Restructuring Effective Date shall occur within 5 business days of the above conditions being satisfied or waived, and in any event on or prior to 31 December 2023 or such later date and time as the Company may elect to extend to with the prior written consent of the Super Majority Ad Hoc Group or Majority Consenting Creditors (provided that such date shall not be extended beyond 31 March 2024).

As at the Latest Practicable Date, the trading in the Shares has been resumed, and the condition to the Restructuring set out in paragraph (g) above has been fulfilled.

LETTER FROM THE BOARD

3. ISSUE OF CB UNDER SPECIFIC MANDATE

Subject to the occurrence of the Restructuring Effective Date, the Company will issue the CB in the aggregate principal amount of US\$1,000,000,000 to the Scheme Creditors. The CB shall be allocated to all Scheme Creditors on a pro rata basis.

The principal terms of the CB are set out below:

Issuer:	The Company
Principal amount:	US\$1,000,000,000
Issue date:	Restructuring Effective Date
Maturity:	9 years from the interest commencement date
Interest commencement date:	The Restructuring Effective Date or 30 September 2023, whichever is earlier
Interest:	<p>From, and including, the interest commencement date to, but excluding, the third anniversary of the interest commencement date, the CB will bear PIK Interest at 1% per annum.</p> <p>From, and including, the third anniversary of the interest commencement date to, but excluding, the maturity date (unless early redeemed, repurchased or converted), the CB will bear (a) PIK Interest at 1% per annum, plus (b) cash interest at 1% per annum, payable semi-annually in arrears.</p>
Conversion base:	Subject to the terms and conditions of the CB, the principal amount of CB based on which the conversion shares of such CB will be calculated is the Accreted Value of such CB on the applicable calculation date.

LETTER FROM THE BOARD

**CB Conversion
Period:**

The CB are convertible during the first twelve months from the later of (a) the issue date, and (b) the date that the conditional listing approval from the Stock Exchange in respect of the Shares falling to be issued following exercise of the conversion right becoming unconditional and fully effective, provided that if the Shares are suspended from trading for five consecutive trading days or more during the aforementioned twelve-month period (such period of suspension being a “**Suspension Period**”), the aforementioned twelve-month period shall be so extended by the number of consecutive trading days equal to the Suspension Period (“**Extension Period**”), and if during the Extension Period, the Shares are suspended from trading for five consecutive trading days or more, the original Extension Period shall be extended by the same number of consecutive trading days of suspension.

Any CB outstanding post the aforementioned conversion period will not be able to be converted any further.

Conversion price:

Subject to the terms and conditions of the CB, the CB Conversion Price will initially be HK\$20 per Share, which may be adjusted upon the occurrence of the adjustment events set out in the paragraph headed “Adjustment events” below. Such adjustments shall apply on and from the date of the RSA.

The initial CB Conversion Price of HK\$20 per Share represents:

- (a) a premium of approximately 336.68% over the closing price of HK\$4.58 per Share as quoted on the Stock Exchange on 31 March 2022, being the last trading day prior to the signing of the RSA on 28 March 2023;
- (b) a premium of approximately 1,182.05% over the closing price of HK\$1.56 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (c) a premium of approximately 1,279.31% over the average closing price of HK\$1.45 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

The CB Conversion Price was determined after arms' length negotiations between the Company and the Ad Hoc Group after taking into account, among other things, the share price performance of the Company and the assessment of acceptability of Scheme Creditors towards the terms of the Restructuring with a view to achieving a sustainable capital structure. The initial CB Conversion Price is at a premium to the closing price of HK\$4.58 per Share as quoted on the Stock Exchange on 31 March 2022, being the last trading day prior to the signing of the RSA on 28 March 2023, is value accretive for existing Shareholders and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Adjustment events: Subject to the terms of the CB, the CB Conversion Price shall be subject to adjustment upon the occurrence of certain adjustment events including:

- (a) an alteration to the nominal value of the Shares as a result of consolidation, sub-division, redesignation or reclassification;
- (b) an issue (other than in lieu of cash dividend and other than issue that would amount to capital distribution) of any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account);
- (c) an issue of Shares by way of a scrip dividend where the aggregate value of such issue exceeds the amount of the relevant cash dividend or the relevant part thereof and which would not have constituted a capital distribution;
- (d) a capital distribution to the Shareholders;
- (e) an issue of Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares, in each case at less than 85 per cent. of the current market price per Share on the date of the first public announcement of the terms of the issue or grant;

LETTER FROM THE BOARD

- (f) an issue of other securities to all or substantially all Shareholders as a class by way of rights, or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any other securities;
- (g) an issue (otherwise than as mentioned in paragraph (e) above) of any Shares (other than (i) Shares issued on the exercise of conversion rights attaching to the CB or (ii) Shares issued on the exercise of conversion rights attaching to the MCB or on the conversion of the Controlling Shareholder Bond) or issue or grant (otherwise than as mentioned in paragraph (e) above) any options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares, in each case at a price per Share which is less than 85 per cent. of the current market price on the date of the first public announcement of the terms of such issue;
- (h) other issues of securities which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 85 per cent. of the current market price on the date of the first public announcement of the terms of issue of such securities;
- (i) modification of the rights of conversion, exchange or subscription attached to any such securities as are mentioned in paragraph (h) above (other than in accordance with the terms of such securities), so that the consideration per Share is reduced and is less than 85 per cent. of the current market price on the date of announcement of the proposal for such modification; and
- (j) issues, sale or distribution by the Company or any of its subsidiaries or (at the direction or request of or pursuant to any arrangements with the Company or any of its subsidiaries) any other company, person or entity of any securities in connection with an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them.

LETTER FROM THE BOARD

Notwithstanding anything to the contrary in the terms and conditions of the CB, no adjustment will be made to the CB Conversion Price when Shares, options or other securities are issued, offered, exercised, allotted, appropriated, modified or granted to or for the benefit of any Strategic Investor unless the issue price is below HK\$4 per Share (which is subject to adjustments pursuant to the adjustment events set out above).

**Maximum number of
CB Conversion
Shares to be
issued:**

Assuming that the principal amount of the CB (not including any PIK Interest) is all converted in full at the initial CB Conversion Price of HK\$20 per Share, an aggregate of up to 390,000,000 CB Conversion Shares will be issued based on the agreed exchange rate of US\$1 = HK\$7.8, which represent:

- (a) approximately 7.16% of the existing issued share capital of the Company as at the Latest Practicable Date;
- (b) approximately 6.68% of the issued share capital of the Company as enlarged by the issue of such CB Conversion Shares; and
- (c) approximately 3.54% of the issued share capital of the Company as enlarged by (i) the issue of such CB Conversion Shares, (ii) the issue of MCB Conversion Shares upon full conversion of the MCB at the MCB Minimum Conversion Price of HK\$4 per Share (assuming MCB in the aggregate principal amount of US\$2,200,000,000 will be issued by the Company) and (iii) the issue of Controlling Shareholder Conversion Shares upon full conversion of the Controlling Shareholder Bond at the same conversion price of HK\$4 per Share (further assuming there is no other change in the issued share capital of the Company).

The CB Conversion Shares, upon full conversion, shall have an aggregate nominal value of up to HK\$39,000,000.

**Security and
guarantee:**

The CB will be secured by the charges over the shares held by the Company or a Subsidiary Guarantor Pledgor in the Subsidiary Guarantors, subject to the terms of the Intercreditor Agreement, to be shared among different tranches of the New Notes, the MCB, the CB and any other Permitted Pari Passu Secured Indebtedness. The CB will be jointly and severally guaranteed by the Subsidiary Guarantors and JV Subsidiary Guarantors (if any).

LETTER FROM THE BOARD

Cash Sweeps: The CB does not benefit from the Cash Sweeps.

Redemption events: (a) **Redemption upon maturity**

Subject to the terms of the CB, unless previously redeemed, converted or purchased and cancelled, the Company will redeem each CB at its principal amount together with accrued and unpaid interest on the date falling 9 years from the interest commencement date.

(b) **Redemption at the option of the Company**

Subject to the terms of the CB, on giving not less than 15 business days' notice to the holders of the CB, the trustee and principal agent (which notice shall be irrevocable), the Company may redeem all or any part of the CB on the date specified in the notice at their principal amount (together with any interest accrued to the date fixed for redemption but unpaid) as at such date, at any time.

(c) **Redemption for taxation reasons**

Subject to the terms of the CB, at any time the Company may, having given not less than 15 business days' notice to the holders of the CB, the trustee and the principal agent (which notice shall be irrevocable) redeem all but not some only of the CB at their principal amount (together with any interest accrued to the date fixed for redemption but unpaid) as at such date if (i) the Company (or if the guarantees were called, any Subsidiary Guarantor) has or will become obliged to pay additional taxation amounts as a result of any change in, or amendment to, the laws or regulations of the relevant jurisdictions, and (ii) such obligation cannot be avoided by the Company (or the relevant Subsidiary Guarantor, as the case may be) taking reasonable measures available to it.

LETTER FROM THE BOARD

(d) Redemption for CB Relevant Event

Subject to the terms of the CB, following the occurrence of a CB Relevant Event, the holder of each CB will have the right at such holder's option, to require the Company to redeem all or some only of that holder's CB on the CB Relevant Event Redemption Date (as defined below) at a redemption price equal to their principal amount (together with any interest accrued to the date fixed for redemption but unpaid) as at such date, by completing, signing and depositing at the specified office of any paying agent a duly completed and signed notice of redemption by not later than 30 days following a CB Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to bondholders by the Company. The "CB Relevant Event Redemption Date" shall be the fourteenth day after the expiry of such period of 30 days as referred to above.

Ranking:

The CB, the New Notes and MCBs benefit from the same Subsidiary Guarantees and charges over the shares held by the Company or a Subsidiary Guarantor Pledgor in the Subsidiary Guarantors. The CB is senior ranking to the Controlling Shareholder Loan and the Controlling Shareholder Bond. The CB Conversion Shares, when allotted and issued to a holder, shall rank *pari passu* in all respects with the Shares in issue on the date on which such holder is registered as such in the Company's register of members.

Voting rights:

The holder(s) of the CB shall not have any right to attend or vote in any general meeting of the Company.

Transferability:

The CB are freely transferable subject to conditions.

LETTER FROM THE BOARD

Specific Mandate

The CB Conversion Shares will be issued under the Specific Mandate proposed to be sought from the Shareholders at the EGM.

Application for listing

An application will be made by the Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the CB Conversion Shares.

An application will be made for the listing and quotation of the CB on the SGX.

4. ISSUE OF MCB UNDER SPECIFIC MANDATE

The principal terms of the MCB are set out below:

Issuer: The Company

Principal amount: The aggregate principal amount of MCB elected by Scheme Creditors (the “**Original Issue Amount**”), subject to the current cap of US\$1,750,000,000, provided that the Company shall (subject to certain conditions) increase such cap in the event that the aggregate amount of MCB selected by Scheme Creditors exceeds such cap. If the principal amount of MCB elected for exchange by Scheme Creditors exceeds the current cap of US\$1,750,000,000 (or such other amount as may be increased by the Company at its discretion), the MCB will be allocated to the electing Scheme Creditors pro rata to the Scheme Creditors’ claims elected for exchange.

In order to allow flexibility in increasing the size of the MCB in the event that the aggregate amount of MCB selected by the Scheme Creditors exceeds the current cap of US\$1,750,000,000, the Company will seek the approval of the Shareholders for the Specific Mandate in respect of the MCB Conversion Shares to be obtained at the EGM on the basis that the cap for the aggregate amount of MCB which may be selected by the Scheme Creditors could be increased to up to US\$2,200,000,000.

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Under the Scheme, the selection of the Restructuring Consideration including the MCB will not become binding until after the selection deadline, which is two business days after the Scheme Meeting. The Company will be able to determine whether the cap will need to be increased beyond US\$2,200,000,000 after the aforesaid selection deadline. Based on the expected timetable as at the Latest Practicable Date, the Scheme Meeting is expected to take place in August or September 2023.

In the event that the amount of MCB elected by the Scheme Creditors as part of the Restructuring Consideration under the Scheme will exceed US\$2,200,000,000 the Company may exercise its sole discretion to increase the cap beyond US\$2,200,000,000 and use its general mandate or, if not sufficient, will seek additional specific mandate from the Shareholders. If the Company will exercise its right to increase the cap for the MCB beyond US\$2,200,000,000, it will make an announcement and state whether the general mandate will be used or specific mandate from the Shareholders will be obtained. If specific mandate will need to be obtained at a further general meeting of the Shareholders but is not approved by the Shareholders, the Company will only use the general mandate to the extent available, or will not proceed with the increase in the cap beyond US\$2,200,000,000.

Issue date:	Restructuring Effective Date
Maturity:	5 years from the Restructuring Effective Date or 30 September 2023, whichever is earlier, with the outstanding principal amount of the MCB mandatorily and automatically converted into the Shares at maturity
Interest:	The MCB are not interest bearing

LETTER FROM THE BOARD

**Conversion
events/period:**

(a) Upfront Conversion:

During the period of 10 business days from the later of (i) the issue date of the MCB, and (ii) the date that the conditional listing approval from Stock Exchange in respect of the Shares falling to be issued following exercise of the conversion right becoming unconditional and fully effective (the “**First Conversion Period**”), any holder of MCB may deliver conversion notices in respect of all or part of the MCB it holds into Shares (the “**First Conversion**”), provided that if the aggregate principal amount of MCB in respect of which conversion notices are delivered pursuant to the First Conversion exceeds 25% (or such greater percentage as the Company may in its sole discretion determine on or prior to the Upsize Decision Date) of the Original Issue Amount of MCB, only 25% (or such greater percentage as the Company may in its sole discretion determine on or prior to the Upsize Decision Date) of the Original Issue Amount of MCB will be converted pursuant to the First Conversion, which shall be allocated among holders in a way that, with respect to each holder who has delivered a conversion notice pursuant to the First Conversion, the principal amount of MCB to be converted pursuant to the First Conversion shall be calculated according to the below formula:

$$P1 = \frac{A}{B} \times C$$

where

P1 is, with respect to each holder who has delivered a conversion notice pursuant to the First Conversion, its principal amount of the MCB to be converted pursuant to the First Conversion;

A is the principal amount of MCB in respect of which such holder has delivered a conversion notice pursuant to the First Conversion;

B is the aggregate principal amount of MCB in respect of which any holder has delivered a conversion notice pursuant to the First Conversion; and

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C is the amount equal to 25% (or such greater percentage as the Company may in its sole discretion determine on or prior to the Upsize Decision Date) of the Original Issue Amount of the MCB.

In addition, if the principal amount of MCB converted pursuant to the First Conversion is less than 25% (or such greater percentage as the Company may in its sole discretion determine on or prior to the Upsize Decision Date) of the Original Issue Amount of MCB, any holder of MCB may deliver conversion notices in respect of all or part of the MCB it holds into Shares (the “**Second Conversion**” and, together with the First Conversion, the “**Upfront Conversion**”) during the period of 10 business days after the date which is 6 months after the issue date of the MCB (the “**Second Conversion Period**”, and each of the First Conversion Period and the Second Conversion Period, an “**Upfront Conversion Period**”), provided that if the aggregate principal amount of MCB in respect of which conversion notices are delivered pursuant to the Upfront Conversion exceeds 25% (or such greater percentage as the Company may in its sole discretion determine on or prior to the Upsize Decision Date) of the Original Issue Amount of MCB, only such amount of MCB shall be converted pursuant to the Second Conversion that the aggregate principal amount of MCB converted pursuant to the Upfront Conversion shall equal 25% (or such greater percentage as the Company may in its sole discretion determine on or prior to the Upsize Decision Date) of the Original Issue Amount of MCB, and the principal amount of MCB to be converted pursuant to the Second Conversion shall be allocated among holders in a way that, with respect to each holder who has delivered a conversion notice pursuant to the Second Conversion, the principal amount of MCB to be converted pursuant to the Second Conversion shall be calculated according to the below formula:

$$P2 = \frac{D}{E} \times F$$

LETTER FROM THE BOARD

where

P2 is, with respect to each holder who has delivered a conversion notice pursuant to the Second Conversion, the principal amount of the MCB to be converted pursuant to the Second Conversion;

D is the principal amount of MCB in respect of which such holder has delivered a conversion notice pursuant to the Second Conversion;

E is the aggregate principal amount of MCB in respect of which any holder has delivered a conversion notice pursuant to the Second Conversion; and

F is the amount equal to 25% (or such greater percentage as the Company may in its sole discretion determine on or prior to the Upsize Decision Date) of the Original Issue Amount of the MCB minus the principal amount of the MCB converted pursuant to the First Conversion.

The remaining principal amount of the MCB which remains outstanding after the Upfront Conversion is hereinafter referred to as the “**Pro Forma MCB Principal Amount**”.

LETTER FROM THE BOARD

(b) Ordinary Conversion:

During the period of 10 business days after the date of each of the second anniversary, the third anniversary and the fourth anniversary of the issue date of the MCB, respectively (the “**Ordinary Conversion Period**”), any holder of MCB may deliver conversion notices in respect of all or part of the MCB it holds into Shares (each such conversion, an “**Ordinary Conversion**”), provided that:

- (i) if, at the end of the conversion period in respect of the second anniversary, the sum of the Cumulative Conversion Amount (as defined below and for the avoidance of doubt not taking into account any conversion at the second anniversary) and the principal amount of MCB elected to be converted during the conversion period in respect of the second anniversary exceeds 40% (or such greater percentage as the Company may in its sole discretion determine on or prior to the Upsize Decision Date) of the Pro Forma MCB Principal Amount, only such principal amount of MCB shall be converted at the second anniversary that the Cumulative Conversion Amount (after taking into account the conversion at the second anniversary) shall equal 40% (or such greater percentage as the Company may in its sole discretion determine on or prior to the Upsize Decision Date) of the Pro Forma MCB Principal Amount, and the principal amount of MCB to be converted at the second anniversary shall be allocated among holders in a way that, with respect to each holder who has delivered a conversion notice pursuant to the Ordinary Conversion at the second anniversary, the principal amount of MCB to be converted pursuant to the Ordinary Conversion at the second anniversary shall be calculated according to the below formula:

$$PO2 = \frac{G}{H} \times I$$

where

PO2 is, with respect to each holder who has delivered a conversion notice pursuant to the Ordinary Conversion at the second anniversary, the principal amount of the MCB to be converted pursuant to the Ordinary Conversion at the second anniversary;

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G is the principal amount of MCB in respect of which such holder has delivered a conversion notice pursuant to the Ordinary Conversion at the second anniversary;

H is the aggregate principal amount of MCB in respect of which any holder has delivered a conversion notice pursuant to the Ordinary Conversion at the second anniversary; and

I is the amount equal to 40% (or such greater percentage as the Company may in its sole discretion determine on or prior to the Upsize Decision Date) of the Pro Forma MCB Principal Amount minus the Cumulative Conversion Amount (for the avoidance of doubt not taking into account any conversion at the second anniversary).

- (ii) if, at the end of the conversion period in respect of the third anniversary, the sum of the Cumulative Conversion Amount (for the avoidance of doubt not taking into account any conversion at the third anniversary) and the principal amount of MCB elected to be converted at the third anniversary exceeds 80% (or such greater percentage as the Company may in its sole discretion determine on or prior to the Upsize Decision Date) of the Pro Forma MCB Principal Amount, only such amount of MCB shall be converted at the third anniversary that the Cumulative Conversion Amount (after taking into account the conversion at the third anniversary) shall equal 80% (or such greater percentage as the Company may in its sole discretion determine on or prior to the Upsize Decision Date) of the Pro Forma MCB Principal Amount, and the principal amount of MCB to be converted at the third anniversary shall be allocated among holders in a way that, with respect to each holder who has delivered a conversion notice pursuant to the Ordinary Conversion at the third anniversary, the principal amount of MCB to be converted pursuant to the Ordinary Conversion at the third anniversary shall be calculated according to the below formula:

$$PO3 = \frac{J}{K} \times L$$

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where

PO3 is, with respect to each holder who has delivered a conversion notice pursuant to the Ordinary Conversion at the third anniversary, the principal amount of the MCB to be converted pursuant to the Ordinary Conversion at the third anniversary;

J is the principal amount of MCB in respect of which such holder has delivered a conversion notice pursuant to the Ordinary Conversion at the third anniversary;

K is the aggregate principal amount of MCB in respect of which any holder has delivered a conversion notice pursuant to the Ordinary Conversion at the third anniversary; and

L is the amount equal to 80% (or such greater percentage as the Company may in its sole discretion determine on or prior to the Upsize Decision Date) of the Pro Forma MCB Principal Amount minus the Cumulative Conversion Amount (for the avoidance of doubt not taking into account any conversion at the third anniversary).

(c) Trigger Conversion:

During the period commencing on the first anniversary of the issue date of the MCB and ending on the 30th day prior to the maturity date, any holder of MCB may deliver conversion notices in respect of all or part of the MCB it holds into Shares during the period of 10 business days after the occurrence of a Trigger Event (as defined below) (the “**Trigger Conversion Period**”) (each such conversion, a “**Trigger Conversion**”).

LETTER FROM THE BOARD

A trigger event (each, a “**Trigger Event**”) shall be deemed to have occurred when the 90-Trading-Day VWAP of the Shares first exceeds each of the following reference prices (each, a “**Trigger Price**”, and each subject to the adjustments set out in the paragraph headed “Adjustment events” below):

- (i) HK\$12 per Share, provided that if the aggregate principal amount of MCB in respect of which conversion notices are delivered pursuant to such Trigger Conversion exceeds 40% (or such greater percentage as the Company may in its sole discretion determine on or prior to the Upsize Decision Date) of the Pro Forma MCB Principal Amount, only 40% (or such greater percentage as the Company may in its sole discretion determine on or prior to the Upsize Decision Date) of the Pro Forma MCB Principal Amount shall be converted pursuant to such Trigger Conversion, and the principal amount of MCB to be converted pursuant to such Trigger Conversion shall be allocated among holders in a way that, with respect to each holder who has delivered a conversion notice pursuant to this Trigger Conversion, the principal amount of MCB to be converted pursuant to such Trigger Conversion shall be calculated according to the below formula:

$$PT1 = \frac{M}{N} \times O$$

where

PT1 is, with respect to each holder who has delivered a conversion notice pursuant to this Trigger Conversion, the principal amount of the MCB to be converted pursuant to this Trigger Conversion;

M is the principal amount of MCB in respect of which such holder has delivered a conversion notice pursuant to such Trigger Conversion;

N is the aggregate principal amount of MCB in respect of which any holder has delivered a conversion notice pursuant to such Trigger Conversion; and

O is the amount equal to 40% (or such greater percentage as the Company may in its sole discretion determine on or prior to the Upsize Decision Date) of the Pro Forma MCB Principal Amount.

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- (ii) HK\$13 per Share, provided that if the sum of the Cumulative Trigger Conversion Amount (for the avoidance of doubt not taking into account any conversion at the HK\$13 trigger) and the aggregate principal amount of MCB in respect of which conversion notices are delivered pursuant to this Trigger Conversion exceeds 70% (or such greater percentage as the Company may in its sole discretion determine on or prior to the Upsize Decision Date) of the Pro Forma MCB Principal Amount, only such amount of MCB shall be converted pursuant to this Trigger Conversion that the Cumulative Trigger Convertible Amount (after taking into account this Trigger Conversion) shall equal 70% (or such greater percentage as the Company may in its sole discretion determine on or prior to the Upsize Decision Date) of the Pro Forma MCB Principal Amount, and the principal amount of MCB to be converted pursuant to such Trigger Conversion shall be allocated among holders in a way that, with respect to each holder who has delivered a conversion notice pursuant to this Trigger Conversion, the principal amount of MCB to be converted pursuant to this Trigger Conversion shall be calculated according to the below formula:

$$PT2 = \frac{P}{Q} \times R$$

where

PT2 is, with respect to each holder who has delivered a conversion notice pursuant to this Trigger Conversion, the principal amount of the MCB to be converted pursuant to this Trigger Conversion;

P is the principal amount of MCB in respect of which such holder has delivered a conversion notice pursuant to this Trigger Conversion;

Q is the aggregate principal amount of MCB in respect of which any holder has delivered a conversion notice pursuant to this Trigger Conversion; and

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R is the amount equal to 70% (or such greater percentage as the Company may in its sole discretion determine on or prior to the Upsize Decision Date) of the Pro Forma MCB Principal Amount minus the Cumulative Trigger Conversion Amount (for the avoidance of doubt not taking into account any conversion at the HK\$13 trigger).

(iii) HK\$16 per Share.

For the avoidance of doubt, if the then outstanding principal amount of MCB is less than the applicable maximum principal amount of MCB that can be converted in a Trigger Conversion (where applicable), all the MCB in respect of which conversion notices are delivered pursuant to such Trigger Conversion shall be accepted for conversion.

If the Shares are suspended from trading for five consecutive trading days or more during the Upfront Conversion Period, the Ordinary Conversion Period and the Trigger Conversion Period (as the case may be), such period shall be so extended by the number of consecutive trading days during which the Shares are suspended from trading (“**MCB Extension Period**”) and if during the MCB Extension Period, the Shares are suspended from trading for five consecutive trading days or more, the original MCB Extension Period shall be extended by the same number of consecutive trading days of suspension.

The Company shall make an announcement on the Stock Exchange informing holders of the MCB that they may elect to register in the next 10 business days for Ordinary Conversion or Trigger Conversion, as the case may be, on (1) the date that is the second anniversary, the third anniversary and the fourth anniversary of the issue date of the MCB, and (2) each date on which a Trigger Event has occurred, provided that failure to make such announcement shall not prejudice the rights of holders to convert.

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For the purposes of this paragraph, “**Cumulative Conversion Amount**” means the aggregate principal amount of MCB that have been converted into Shares as of the relevant date since the first anniversary of the issue date of the MCB; “**Cumulative Trigger Conversion Amount**” means the aggregate principal amount of MCB that have been converted into Shares pursuant to Trigger Conversions as of the relevant date since the first anniversary of the issue date of the MCB; and “**Upsize Decision Date**” means any day not later than fifth trading day of the relevant conversion period of the MCB by which time, if the Company elects, in its sole discretion, to increase any relevant percentage conversion cap above, the Company must notify the holders of the MCB in accordance with its terms and conditions. For the avoidance of doubt, the Company shall not be permitted to decrease any such conversion caps.

(d) Mandatory Conversion:

All remaining MCB outstanding as of the date falling 20 business days prior to the Maturity Date shall be automatically and mandatorily converted into Shares at the maturity date (the “**Mandatory Conversion**”), provided that no event of default under the MCB or Relevant Event has occurred.

(e) Conversion due to event of default or Change of Control:

If an event of default as set out in the terms and conditions of the MCB has occurred or there is a Change of Control, any holder of MCB may, subject to the terms and conditions of the MCB, give a conversion notice to the Company to convert the MCB into Shares (the “**Specified Events Conversion**”).

Conversion price: Subject to the terms and conditions of the MCB, the MCB Conversion Price for each of the Upfront Conversion, the Ordinary Conversion, the Trigger Conversion, the Mandatory Conversion and the Specified Events Conversion is as follows (each subject to adjustment in accordance with the terms and conditions of the MCB):

(a) Conversion Price in respect of an Upfront Conversion: initially HK\$6.00 per Share.

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- (b) **Conversion Price in respect of an Ordinary Conversion:** initially the 90-Trading Day-VWAP immediately preceding the date that is the first day of the relevant Ordinary Conversion Period, subject to a minimum price equal to the MCB Minimum Conversion Price.
- (c) **Conversion Price in respect of a Trigger Conversion:** initially the 90-Trading Day-VWAP immediately preceding the date that is the first day of the relevant Trigger Conversion Period, subject to a minimum price equal to the MCB Minimum Conversion Price.
- (d) **Conversion Price in respect of the Mandatory Conversion:** initially the 90-Trading Day-VWAP immediately preceding the date falling 20 business days prior to the maturity date, subject to a minimum price equal to the MCB Minimum Conversion Price.
- (e) **Conversion Price in respect of the Specified Events Conversion:** initially the 90-Trading Day-VWAP immediately preceding the date of the Specified Events conversion period as set out in the terms and conditions of the MCB, subject to a minimum price equal to the MCB Minimum Conversion Price.

Each of the MCB Conversion Prices above and the MCB Minimum Conversion Price may be adjusted upon the occurrence of the adjustment events set out in the paragraph headed “Adjustment events” below. Such adjustments shall apply on and from the date of the RSA.

The initial MCB Conversion Price of HK\$6 per Share in respect of an Upfront Conversion represents:

- (a) a premium of approximately 31.00% over the closing price of HK\$4.58 per Share as quoted on the Stock Exchange on 31 March 2022, being the last trading day prior to the signing of the RSA on 28 March 2023;
- (b) a premium of approximately 284.62% over the closing price of HK\$1.56 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

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- (c) a premium of approximately 313.79% over the average closing price of HK\$1.45 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately preceding the Latest Practicable Date.

The initial MCB Minimum Conversion Price of HK\$4 per Share represents a discount of approximately 12.66% to the closing price of HK\$4.58 per Share as quoted on the Stock Exchange on 31 March 2022, being the last trading day prior to the signing of the RSA on 28 March 2023.

The MCB Conversion Price in respect of an Upfront Conversion and the mechanism for determining the MCB Conversion Price in respect of an Ordinary Conversion, a Trigger Conversion, the Mandatory Conversion and the Specified Events Conversion was determined after arms' length negotiations between the Company and the Ad Hoc Group after taking into account, among other things, the share price performance of the Company and the assessment of acceptability of Scheme Creditors towards the terms of the Restructuring with a view to achieving a sustainable capital structure. The initial MCB Conversion Price of HK\$6 per Share in respect of an Upfront Conversion is at a premium to the closing price of HK\$4.58 per Share as quoted on the Stock Exchange on 31 March 2022, being the last trading day prior to the signing of the RSA on 28 March 2023, and the MCB Conversion Price in respect of the other conversions will be based on the 90-Trading Day-VWAP of the relevant dates. The MCB Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Adjustment events:

Subject to the terms of the MCB, each of the relevant underlying trading prices for calculation of the 90-Trading Day-VWAP, the MCB Conversion Price for the Upfront Conversion, the Trigger Prices and the MCB Minimum Conversion Price shall be subject to adjustment upon the occurrence of certain adjustment events including:

- (a) an alteration to the nominal value of the Shares as a result of consolidation, sub-division, redesignation or reclassification;
- (b) an issue (other than in lieu of cash dividend and other than issue that would amount to capital distribution) of any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account);

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- (c) an issue by way of a scrip dividend where the aggregate value of such issue exceeds the amount of the relevant cash dividend or the relevant part thereof and which would not have constituted a capital distribution;
- (d) a capital distribution to the Shareholders;
- (e) an issue of Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares, in each case at less than 85 per cent. of the current market price per Share on the date of the first public announcement of the terms of the issue or grant;
- (f) an issue of other securities to all or substantially all Shareholders as a class by way of rights, or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any other securities;
- (g) an issue (otherwise than as mentioned in paragraph (e) above) of any Shares (other than (i) Shares issued on the exercise of conversion rights attaching to the MCB or (ii) Shares issued on the exercise of conversion rights attaching to the CB or on the conversion of the Controlling Shareholder Bond) or issue or grant (otherwise than as mentioned in paragraph (e) above) any options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares, in each case at a price per Share which is less than 85 per cent. of the current market price on the date of the first public announcement of the terms of such issue;
- (h) other issues of securities which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 85 per cent. of the current market price on the date of the first public announcement of the terms of issue of such securities;
- (i) modification of the rights of conversion, exchange or subscription attached to any such securities as are mentioned in paragraph (h) above (other than in accordance with the terms of such securities), so that the consideration per Share is reduced and is less than 85 per cent. of the current market price on the date of announcement of the proposal for such modification; and

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- (j) issues, sale or distribution by the Company or any of its subsidiaries or (at the direction or request of or pursuant to any arrangements with the Company or any of its subsidiaries) any other company, person or entity of any securities in connection with an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them.

Notwithstanding anything to the contrary in the terms and conditions of the MCB, no adjustment will be made to the MCB Conversion Price or the Trigger Price when Shares, options or other securities are issued, offered, exercised, allotted, appropriated, modified or granted to or for the benefit of any Strategic Investor unless the issue price is below HK\$4 per Share (which is subject to adjustments pursuant to the adjustment events set out above).

**Maximum number of
MCB Conversion
Shares to be
issued:**

Assuming that MCB in the aggregate principal amount of US\$2,200,000,000 will be issued by the Company and assuming full conversion of the MCB at the MCB Minimum Conversion Price of HK\$4 per Share and based on the agreed exchange rate of US\$1 = HK\$7.8, up to 4,290,000,000 MCB Conversion Shares will be issued, which represent:

- (a) approximately 78.73% of the existing issued share capital of the Company as at the Latest Practicable Date;
- (b) approximately 44.05% of the issued share capital of the Company as enlarged by the issue of such MCB Conversion Shares; and
- (c) approximately 38.98% of the issued share capital of the Company as enlarged by (i) the issue of such MCB Conversion Shares, (ii) the issue of CB Conversion Shares upon full conversion of the CB at the CB Conversion Price of HK\$20 per Share and (iii) the issue of Controlling Shareholder Conversion Shares upon full conversion of the Controlling Shareholder Bond at the same conversion price of HK\$4 per Share (further assuming there is no other change in the issued share capital of the Company).

The MCB Conversion Shares, upon full conversion, shall have an aggregate nominal value of up to HK\$429,000,000.

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Security and guarantee: The MCB will be secured by the charges over the shares held by the Company or a Subsidiary Guarantor Pledgor in the Subsidiary Guarantors, subject to the terms of the Intercreditor Agreement, to be shared among different tranches of the New Notes, the MCB, the CB and any other Permitted Pari Passu Secured Indebtedness.

The MCB will be jointly and severally guaranteed by the initial Subsidiary Guarantors and JV Subsidiary Guarantors (if any).

Cash Sweeps: The MCB benefits from the Cash Sweeps.

Redemption events: (a) **Redemption upon maturity**

Subject to the terms of the MCB, unless previously redeemed, converted or purchased and cancelled, each MCB will be mandatorily and automatically converted into Shares at the applicable MCB Conversion Price on the maturity date.

(b) **Redemption at the option of the Company**

Subject to the redemption restriction set out below and the other terms of the MCB, on giving not less than 15 business days' notice to the holders of the MCB and to the trustee and principal agent (which notice shall be irrevocable), the Company may redeem all or any part of the MCB on the date specified in the notice at their principal amount as at such date, at any time.

(c) **Redemption for taxation reasons**

Subject to the terms of the MCB, at any time the Company may, having given not less than 15 business days' notice to the holders of the MCB, the trustee and the principal agent (which notice shall be irrevocable) redeem all but not some only of the MCB at their principal amount as at such date if (i) the Company (or if the guarantees were called, any Subsidiary Guarantor) has or will become obliged to pay additional taxation amounts as a result of any change in, or amendment to, the laws or regulations of the relevant jurisdictions, and (ii) such obligation cannot be avoided by the Company (or the relevant Subsidiary Guarantor, as the case may be) taking reasonable measures available to it.

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(d) Redemption for Relevant Event

Subject to the terms of the MCB, following the occurrence of a Relevant Event, the holder of each MCB will have the right at such holder's option, to require the Company to redeem all or some only of that holder's MCB on the Relevant Event Redemption Date (as defined below) at a redemption price equal to their principal amount as at such date, by completing, signing and depositing at the specified office of any paying agent a duly completed and signed notice of redemption by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to bondholders by the Company. The "**Relevant Event Redemption Date**" shall be the fourteenth day after the expiry of such period of 30 days as referred to above.

Redemption restriction:

The Company shall not redeem or repurchase the MCB to the extent any Tranche A or Tranche B of the New Notes remains outstanding, except where such redemption or repurchase is made using the proceeds or funds from a Strategic Investor.

Ranking:

The MCB, the New Notes and the CB benefit from the same Subsidiary Guarantees and charges over the shares held by the Company or a Subsidiary Guarantor Pledgor in the Subsidiary Guarantors. The MCB is senior ranking to the Controlling Shareholder Loan and the Controlling Shareholder Bond. The MCB Conversion Shares, when allotted and issued to a holder, shall rank *pari passu* in all respects with the Shares in issue on the date on which such holder is registered as such in the Company's register of members.

Voting rights:

The holder(s) of the MCB shall not have any right to attend or vote in any general meeting of the Company.

Transferability:

The MCB are freely transferable subject to conditions.

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Specific Mandate

The MCB Conversion Shares will be issued under the Specific Mandate proposed to be sought from the Shareholders at the EGM.

Application for listing

An application will be made by the Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the MCB Conversion Shares.

An application will be made for the listing and quotation of the MCB on the SGX.

5. DISPOSAL OF SHARES IN SUNAC SERVICES

Subject to the occurrence of the Restructuring Effective Date, Scheme Creditors who have voluntarily elected to exchange their Existing Debt claims into existing Sunac Services Shares will receive Sunac Services Shares from Sunac Services Investment, an indirect wholly-owned subsidiary of the Company, at an exchange price equal to 2.5 times the VWAP of the Sunac Services Shares for the 60 trading days immediately preceding the Record Time, subject to a minimum exchange price of HK\$13.5 per Sunac Services Share.

The maximum number of Sunac Services Shares to be transferred to the Scheme Creditors is 449,356,068 existing Sunac Services Shares, representing approximately 14.7% of the total issued Sunac Services Shares as at the Latest Practicable Date. If the number of Sunac Services Shares elected for exchange by the Scheme Creditors exceeds such maximum number of Sunac Services Shares, such maximum number of Sunac Services Shares will be allocated to the electing Scheme Creditors pro rata to the Scheme Creditors' claims elected for exchange.

As at the Latest Practicable Date, the Company held, through Sunac Services Investment and Sunac Shine (PTC) Limited, approximately 64.4% of the Sunac Services Shares. Assuming that the maximum number of Sunac Services Shares will be transferred to the Scheme Creditors, there is no other change in the Company's interest in Sunac Services Shares and there is no change in the issued share capital of Sunac Services Shares, following completion of the Disposal, the Company's interest in Sunac Services Shares will be reduced to approximately 49.7% and Sunac Services will remain a subsidiary of the Company.

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Information on Sunac Services Investment

Sunac Services Investment is an indirect wholly-owned subsidiary of the Company. It is incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding.

Information on Sunac Services

Sunac Services is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 1516). Sunac Services and its subsidiaries are principally engaged in the provision of property management services, value-added services to non-property owners, community living services and commercial operational services in the PRC.

The following financial information is extracted from the 2022 annual report of Sunac Services:

	Year Ended 31 December 2022	Year Ended 31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	7,126,161	7,903,674
(Loss)/profit before tax	(641,053)	1,784,975
(Loss)/profit after tax	(462,396)	1,358,494

The audited net assets of Sunac Services as at 31 December 2022 was approximately RMB7,769,029,000.

Financial effects of the Disposal

Assuming that 449,356,068 existing Sunac Services Shares will be disposed of by the Group under the Disposal at the minimum exchange price of HK\$13.5 per Sunac Services Share, with reference to the net assets of Sunac Services as at 31 December 2022, it is expected that the Group will recognise an increase in non-controlling interests of approximately RMB1.29 billion and a reduction in liabilities of approximately RMB5.38 billion, with the difference between the two of approximately RMB4.09 billion being recognized as a gain from the Disposal and constituting part of the profit or loss arising from the Restructuring, subject to the annual audit by the Company's auditors.

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6. ISSUE OF CONTROLLING SHAREHOLDER BOND UNDER SPECIFIC MANDATE

As at the Latest Practicable Date, the Controlling Shareholder Loan extended by the Controlling Shareholder to the Group remained outstanding.

Pursuant to the terms of the Controlling Shareholder Bond Subscription Agreement, the Controlling Shareholder will conditionally agree to subscribe for, and the Company will conditionally agree to issue, the Controlling Shareholder Bond, on the Restructuring Effective Date.

Conditions

Completion of the Controlling Shareholder Bond Issue will be conditional upon:

- (a) the occurrence of the Restructuring Effective Date;
- (b) the listing of and permission to deal in the Controlling Shareholder Conversion Shares being granted by the listing committee of the Stock Exchange;
- (c) the passing of all necessary resolutions by the Independent Shareholders to approve the Controlling Shareholder Bond Subscription Agreement and the transactions contemplated thereunder and to grant the Specific Mandate to the Board for the purpose of the allotment and issuance of the Controlling Shareholder Conversion Shares; and
- (d) the Intercreditor Agreement being in Agreed Form.

If the above conditions are not fulfilled on or prior to 31 December 2023 or such later date and time as the Company may elect to extend to with the prior written consent of the Super Majority Ad Hoc Group or Majority Consenting Creditors (provided such date shall not be extended beyond 31 March 2024), the Controlling Shareholder Bond Subscription Agreement shall terminate and none of the parties shall have any claim against the other for costs, damages, compensation or otherwise.

Completion

Subject to the fulfilment of the above conditions, completion of the issue of the Controlling Shareholder Bond to the Controlling Shareholder shall take place on the Restructuring Effective Date whereupon the Company shall issue the Controlling Shareholder Bond to the Controlling Shareholder by delivery of an instrument to the Controlling Shareholder, and the Controlling Shareholder shall settle the subscription price for the Controlling Shareholder Bond (i.e. US\$450,000,000) which shall be deemed satisfied by the Controlling Shareholder agreeing to set-off and waive any rights of repayment or recourse against the Company and other relevant members of the Group in respect of the Controlling Shareholder Loan, upon which the Controlling Shareholder Loan shall be deemed irrevocably repaid by the Company and the Controlling Shareholder shall not have any claim or other right of set-off or recourse with respect to the Controlling Shareholder Loan against the Group.

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Principal terms of the Controlling Shareholder Bond

The principal terms of the Controlling Shareholder Bond are set out below:

Issuer:	The Company
Principal amount:	US\$450,000,000
Issue date:	Restructuring Effective Date
Maturity:	5 years from the Restructuring Effective Date or 30 September 2023, whichever is earlier, with the outstanding principal amount of the Controlling Shareholder Bond mandatorily converted into the Shares at maturity, subject to the terms set out in the paragraph headed “Maturity Conversion” below
Interest:	The Controlling Shareholder Bond is not interest bearing
Conversion:	(a) Corresponding Conversion:

Within 60 days after the relevant MCB conversion date, such proportion of the Controlling Shareholder Bond then outstanding will be mandatorily converted, directly or indirectly, into Shares as the same or approximately the same as the proportion that the principal amount of MCB so converted bears to the total outstanding principal amount of the MCB prior to such MCB conversion, provided that if such conversion of the relevant portion of the Controlling Shareholder Bond would result in the relevant thresholds under the Takeovers Code being exceeded thereby triggering a general offer under the Takeovers Code on the part of the Controlling Shareholder, the Company shall reduce the amount of the relevant portion to be converted to such amount which would avoid triggering such general offer and the remaining portion shall be converted into Shares at such time to be agreed between the Company and the Controlling Shareholder as would not trigger such general offer (both acting reasonably) (the “Corresponding Conversion”).

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(b) Maturity Conversion:

All remaining outstanding principal amount of the Controlling Shareholder Bond as of the maturity date shall be mandatorily converted into Shares at the maturity date, provided that if such conversion of such remaining portion would result in the relevant thresholds under the Takeovers Code being exceeded thereby triggering a general offer under the Takeovers Code on the part of the Controlling Shareholder, the Company shall reduce the amount of such remaining portion to be converted on the maturity date to such amount which would avoid triggering such general offer, and any remaining portion of the Controlling Shareholder Bond after such reduction shall be converted into Shares at such time after the maturity date as agreed between the Company and the Controlling Shareholder (both acting reasonably) which would not trigger such general offer under the Takeovers Code on the part of the Controlling Shareholder (the “**Maturity Conversion**”).

Conversion price: The Controlling Shareholder Bond Conversion Price in respect of a Corresponding Conversion shall be equal to the MCB Conversion Price applicable to the MCB so converted with respect to the relevant conversion of the MCB.

The Controlling Shareholder Bond Conversion Price in respect of the Maturity Conversion shall be equal to the conversion price applicable to the remaining MCB so mandatorily converted upon maturity of the MCB under the terms of the MCB.

Maximum number of Controlling Shareholder Conversion Shares to be issued: Assuming full conversion of the Controlling Shareholder Bond at the MCB Minimum Conversion Price of HK\$4 per Share and based on the agreed exchange rate of US\$1 = HK\$7.8, up to 877,500,000 Controlling Shareholder Conversion Shares will be issued, which represent:

- (a) approximately 16.10% of the existing issued share capital of the Company as at the Latest Practicable Date;
- (b) approximately 13.87% of the issued share capital of the Company as enlarged by the issue of such Controlling Shareholder Conversion Shares; and

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- (c) approximately 7.97% of the issued share capital of the Company as enlarged by (i) the issue of such Controlling Shareholder Conversion Shares, (ii) the issue of CB Conversion Shares upon full conversion of the CB at the CB Conversion Price of HK\$20 per Share and (iii) the issue of MCB Conversion Shares upon full conversion of the MCB at the same conversion price of HK\$4 per Share (further assuming there is no other change in the issued share capital of the Company).

The Controlling Shareholder Conversion Shares, upon full conversion, shall have an aggregate nominal value of up to HK\$87,750,000.

**Security and
guarantee:**

No security or guarantee.

**Repayment
arrangement:**

The Company shall not repay the Controlling Shareholder Bond before its maturity (whether through repayment, redemption, repurchase or otherwise) to the extent any MCB remains outstanding except that the Controlling Shareholder Bond can be tendered for acceptance in a general or partial takeover offer to purchase made to both the Controlling Shareholder and the holders of the MCB (i) made by a Strategic Investor and (ii) on such terms that are no more favourable than the offer made to holders of MCB.

Redemption events:

(a) Redemption upon maturity

Subject to the terms of the Controlling Shareholder Bond, unless previously redeemed, converted or purchased and cancelled, any remaining outstanding principal amount of the Controlling Shareholder Bond will be mandatorily converted into Shares on the maturity date (subject to the terms set out in the paragraph headed “Maturity Conversion” above).

(b) Redemption at the option of the Company

Subject to the repayment arrangement set out above and the other terms of the Controlling Shareholder Bond, on giving not less than 15 business days’ notice to the Controlling Shareholder (which notice shall be irrevocable), the Company may redeem all or any part of the Controlling Shareholder Bond on the date specified in the notice at their principal amount as at such date, at any time.

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Ranking: The Controlling Shareholder Bond (and the Controlling Shareholder Loan if, for whatever reason, it remains outstanding) shall be subordinated in rights of payment to the New Notes, the MCB and CB, on and pursuant to the terms of the Intercreditor Agreement. The Controlling Shareholder Conversion Shares, when allotted and issued to the Controlling Shareholder, shall rank *pari passu* in all respects with the Shares in issue on the date on which the Controlling Shareholder is registered as such in the Company's register of members.

Voting rights: The holder of the Controlling Shareholder Bond shall not have any right to attend or vote in any general meeting of the Company.

Transferability: The Controlling Shareholder Bond is not transferable.

Specific Mandate

The Controlling Shareholder Conversion Shares will be issued under the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

Application for listing

An application will be made by the Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Controlling Shareholder Conversion Shares. No application will be made for the listing of the Controlling Shareholder Bond on the Stock Exchange or any other stock exchange.

Information on the Controlling Shareholder

The Controlling Shareholder is a company incorporated in the British Virgin Islands, which is controlled by family trusts of Mr. Sun Hongbin, the chairman of the Board and an executive Director. The Controlling Shareholder is principally engaged in investment holding.

7. REASONS FOR AND BENEFITS OF THE POSSIBLE TRANSACTIONS IN CONNECTION WITH THE RESTRUCTURING

The Company is a company incorporated in the Cayman Islands with limited liability, which is listed on the main board of the Stock Exchange. With the brand philosophy of "passion for perfection", the Group is committed to providing wonderful living environment and services for Chinese families through high-quality products and services and integration of high-quality resources. With a focus on its core business of real estate, the Group implements its strategic layout in real estate development, property management, ice & snow operation management, cultural tourism, culture and other business segments. After 20 years of development, the Group has become a leading enterprise in China's real estate industry, a leading ice & snow industry operator and a leading cultural tourism industry operator and property owner in China, with nationwide leading capabilities in comprehensive urban development and integrated industrial operation.

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Overview of the Group's financial situation

Since the fourth quarter of 2021, the industry environment has been constantly changing. A number of situations went beyond the Group's expectation. The Group has proactively taken all necessary measures to ensure stable cash flow. However, sales have declined precipitously since March 2022, and various funding proposals such as asset disposals and targeted financing, which were aggressively promoted to satisfy the liquidity requirements in the second quarter of 2022, could not be implemented due to the unfavorable changes in the external environment, resulting in the Group encountering liquidity issues.

As at 31 December 2022, the Company had borrowings of RMB298,419 million (of which RMB44,943 million were classified as non-current borrowings and RMB253,476 million were classified as current borrowings). The borrowings of the Company mainly comprised bank and other institution borrowings, senior notes, corporate bonds and private domestic corporate bonds. Further details of the indebtedness situation of the Company as at 31 December 2022 are set out in the annual report of the Company for the year ended 31 December 2022 and published on the website of the Stock Exchange on 27 April 2023.

The current borrowings of RMB253,476 million include (1) borrowings of approximately RMB33,751 million which are under normal status and due within one year, and (2) borrowings of approximately RMB219,725 million in aggregate, comprising borrowings of approximately RMB80,888 million that have not been repaid according to their scheduled repayment dates, and borrowings of approximately RMB138,837 million that might be demanded for early repayment.

The table below sets out the borrowings of the Company as at 31 December 2022:

	As at 31 December 2022 RMB (million)
Non-current borrowings	44,943
Current borrowings	253,476
o borrowings which are under normal status and due within one year	33,751
o borrowings that have not been repaid according to their scheduled repayment dates or that might be demanded for early repayment	219,725
■ borrowings that have not been repaid according to their scheduled repayment dates	80,888
■ borrowings that might be demanded for early repayment	138,837
Total borrowings	298,419

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To address the repayment issue in relation to the aforementioned current borrowings of RMB219,725 million, in respect of the offshore debts in principal amount of approximately US\$10,907 million (equivalent to approximately RMB75,964 million) in aggregate, the Company intends to conduct the Restructuring through the Scheme in respect of the senior notes in principal amount of approximately US\$7,704 million (equivalent to approximately RMB53,655 million) in aggregate and the offshore debt instruments in principal amount of approximately US\$1,344 million (equivalent to approximately RMB9,362 million) in aggregate. The Company has been negotiating and will continue to negotiate with the other secured offshore creditors on a bilateral basis for the extension of the offshore secured borrowings of approximately US\$1,859 million (equivalent to approximately RMB12,947 million), of which borrowings of approximately US\$1,533 million (equivalent to approximately RMB10,677 million) have been extended by agreement, and the remaining borrowings of approximately US\$326 million (equivalent to approximately RMB2,270 million) are being actively negotiated for their extension and the negotiation is progressing well. In addition, approximately RMB143,761 million of the current borrowings mainly comprise bank and other financial institution borrowings at the onshore project company level. The Group has quality assets and a majority of the projects are operating in the normal course of business. For some projects with repayment difficulty due to market downturn, the Group will continue to leverage supportive industry policies in actively communicating with financial institutions and implementing extension arrangement so as to orderly resolve financing issues.

The plan to address the repayment issue in relation to the current borrowings of the Company is summarized in the table below:

	As at 31 December 2022	
	<i>RMB (million)</i>	<i>US\$ (million)</i>
(1) Offshore debts	75,964	10,907
– Restructuring through the Scheme in respect of		
o the senior notes	53,655	7,704
o the offshore debt instruments	9,362	1,344
	<u>63,017</u>	<u>9,048</u>
Sub-total		
– Other secured offshore creditors on a bilateral basis for the extension of the offshore secured borrowings ¹		
o borrowings extended by agreement ¹	10,677	1,533
o borrowings being actively negotiated for their extension ¹	2,270	326
	<u>12,947</u>	<u>1,859</u>
Sub-total		
(2) Onshore debts (mainly comprising bank and other financial institution borrowings at the onshore project company level)	143,761	20,642
Total current borrowings that have not been repaid according to their scheduled repayment dates or that might be demanded for early repayment	219,725	31,549

Note 1: These figures represent the latest status of such offshore secured borrowings as at the Latest Practicable Date.

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The Restructuring

Over the past year, the Group has been actively working with its financial adviser, Houlihan Lokey (China) Limited, and legal adviser, Sidley Austin, to assess its current financial and operational conditions with a view to formulating a solution that respects the rights of all stakeholders and unlocks the inherent value of the Group's business and assets as the onshore operating environment recovers over time. The Group and members of the Ad Hoc Group, together with their respective advisers, have been engaged in constructive dialogue towards a consensual restructuring of the Company's offshore indebtedness. On 28 March 2023, the Company reached agreement with the Ad Hoc Group representing over 30% of the aggregate outstanding principal amount of the Existing Debt on the terms of the Restructuring.

The Restructuring is intended to (a) provide the Company with a long-term, sustainable capital structure; (b) allow adequate financial flexibility and sufficient runway to stabilise the business; and (c) protect the rights and interests, and maximize value, for all stakeholders. As mentioned above, the Restructuring seeks to address the Company's existing senior notes and other offshore instruments or debts in the principal amount of US\$9,048 million (or approximately RMB63,017 million), comprising senior notes in the principal amount of US\$7,704 million (or approximately RMB53,655 million) and other offshore instruments in the principal amount of US\$1,344 million (or approximately RMB9,362 million). Details of the creditors of such indebtedness are set out in the section headed "**10. INFORMATION ON THE EXISTING DEBT UNDER THE SCHEME**" below. Save for debts in respect of which the Company reached or the Company is confident that it will reach bilateral agreements with the relevant creditors, the Restructuring will address all existing debts of the Company.

The Controlling Shareholder Loan in the principal amount of US\$450 million (or approximately RMB3,134 million) will be dealt with through the issue of the Controlling Shareholder Bond. The main feature of the Controlling Shareholder Bond is that the Controlling Shareholder Bond will be converted into shares within 60 days after the relevant MCB conversion date in the same proportion and at the same conversion price as that under the MCB. The Controlling Shareholder Bond Issue reflects the long-term support from the Controlling Shareholder for the Group through the conversion of the Controlling Shareholder Bond into equity.

The Restructuring will be implemented through the Scheme, the effect of which is that once the Scheme becomes effective, all the Existing Debt claims of the Scheme Creditors will be discharged and extinguished and the Scheme Creditors will not be allowed to make any claim against the Company in respect of their Existing Debt.

No net proceeds will be received by the Group from the CB Issue, the MCB Issue, the Disposal and the Controlling Shareholder Bond Issue. All proceeds from the CB Issue and the MCB Issue and the Disposal will be applied towards the satisfaction of part of the Restructuring Consideration in connection with the Restructuring, and all proceeds from the Controlling Shareholder Bond Issue will be applied towards setting off the Controlling Shareholder Loan owing to the Controlling Shareholder by the Group, thereby in each case reducing the overall debt size and debt pressure of the Group, enhancing its net asset value and

LETTER FROM THE BOARD

significantly improving the financial position of the Company. As the term of each of the New Notes, CB and MCB to be issued as part of the Restructuring Consideration will be longer than one year, upon completion of the Restructuring, the indebtedness of the Company in the principal amount of US\$9,048 million (or approximately RMB63,017 million), all of which are now regarded as current liabilities of the Company, will be reclassified to non-current liabilities of the Company, thereby greatly improving the liquidity of the Company. The CB Issue, the MCB Issue and the Controlling Shareholder Bond Issue would also increase the capital base through the issue of Shares and help the Company achieve a sustainable capital structure. Without a successful restructuring, the value of the Company would be significantly destructed, and the equity value would be severely less.

Hence, the Directors (with respect to the Controlling Shareholder Bond Issue only, excluding Mr. Sun Hongbin, Mr. Sun Kevin Zheyi, the son of Mr. Sun Hongbin, and the members of the Independent Board Committee whose views are included in the “Letter from the Independent Board Committee” set forth in this circular, after being advised by the Independent Financial Adviser) consider that the terms and conditions of the CB Issue, the MCB Issue, the Disposal and the Controlling Shareholder Bond Issue are fair and reasonable based on the current market conditions and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Each of Mr. Sun Hongbin and Mr. Sun Kevin Zheyi is considered to have a material interest in the Controlling Shareholder Bond Issue and has abstained from voting on the board resolutions in relation to the Controlling Shareholder Bond Issue. Save as disclosed above, none of the Directors has a material interest in the Controlling Shareholder Bond Issue.

8. EQUITY FUNDRAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not carried out any equity fund raising activities in the past 12 months immediately before the Latest Practicable Date.

9. EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below illustrates the shareholding structure of the Company

- (a) as at the Latest Practicable Date;
- (b) immediately upon full conversion of the CB at the initial CB Conversion Price of HK\$20 per Share;
- (c) immediately upon (i) full conversion of the MCB at the MCB Minimum Conversion Price of HK\$4 per Share (assuming MCB in the aggregate principal amount of US\$2,200,000,000 will be issued by the Company) and (ii) the corresponding full conversion of the Controlling Shareholder Bond at the same conversion price of HK\$4 per Share; and
- (d) immediately upon (i) full conversion of the CB at the initial CB Conversion Price of HK\$20 per Share, (ii) full conversion of the MCB at the MCB Minimum Conversion Price of HK\$4 per Share (assuming MCB in the aggregate principal

LETTER FROM THE BOARD

amount of US\$2,200,000,000 will be issued by the Company) and (iii) full conversion of the Controlling Shareholder Bond at the same conversion price of HK\$4 per Share, and

further assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date up to the date of the full conversion of the aforementioned instruments and based on the agreed exchange rate of US\$1 = HK\$7.8:

	(a) As at the Latest Practicable Date		(b) Immediately upon full conversion of the CB based on the assumptions stated above		(c) Immediately upon full conversion of the MCB and the Controlling Shareholder Bond based on the assumptions stated above		(d) Immediately upon full conversion of the CB, the MCB and the Controlling Shareholder Bond based on the assumptions stated above	
	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %
Mr. Sun Hongbin (Note 1)	2,111,259,884	38.75	2,111,259,884	36.16	2,988,759,884	28.15	2,988,759,884	27.15
Mr. Wang Mengde	17,177,000	0.32	17,177,000	0.29	17,177,000	0.16	17,177,000	0.16
Mr. Jing Hong (Note 2)	12,155,000	0.22	12,155,000	0.21	12,155,000	0.11	12,155,000	0.11
Mr. Tian Qiang	6,982,000	0.13	6,982,000	0.12	6,982,000	0.07	6,982,000	0.06
Mr. Huang Shuping	5,400,000	0.10	5,400,000	0.09	5,400,000	0.05	5,400,000	0.05
Mr. Sun Kevin Zheyi	261,000	0.00	261,000	0.00	261,000	0.00	261,000	0.00
Holders of CB	0	0.00	390,000,000	6.68	0	0.00	390,000,000	3.54
Holders of MCB	0	0.00	0	0.00	4,290,000,000	40.41	4,290,000,000	38.98
Other Shareholders (Note 3)	3,295,649,027	60.48	3,295,649,027	56.44	3,295,649,027	31.04	3,295,649,027	29.94
Total:	5,448,883,911	100.00	5,838,883,911	100.00	10,616,383,911	100.00	11,006,383,911	100.00

Notes:

- Of these 2,111,259,884 Shares, (a) 19,930,000 Shares were held by Mr. Sun Hongbin, (b) 2,042,623,884 Shares were held by the Controlling Shareholder and (c) 48,706,000 Shares were held by Tianjin Biaodi. The entire issued share capital of the Controlling Shareholder was held by Sun family trusts, 70% of which was held by the new family trust ("New Family Trust") and the remaining 30% was held by two original family trusts. The New Family Trust was established by Mr. Sun Hongbin in December 2018, with South Dakota Trust Company LLC as the trustee and Mr. Sun Hongbin and some of his family members as the beneficiaries. The two original family trusts were established in May and June 2018, respectively, the beneficiaries of which were family members of Mr. Sun Hongbin. All the shares of Tianjin Biaodi were held by Mr. Sun Hongbin. In accordance with the SFO, Mr. Sun Hongbin was deemed to be interested in the aforesaid Shares.
- Of these 12,155,000 Shares, 11,546,000 Shares were held by Mr. Jing Hong and 609,000 Shares were held by his spouse.
- All of these Shareholders are members of the public as defined in Rule 8.24 of the Listing Rules as at the Latest Practicable Date.

LETTER FROM THE BOARD

10. INFORMATION ON THE EXISTING DEBT UNDER THE SCHEME

The Scheme Creditors comprise the persons who hold beneficial interests as principal in, or who are the lenders under, the following instruments as at the Record Time for the Scheme:

- (a) the New York law-governed 7.25% senior notes due 14 June 2022 (the “**June 2022 Notes**”) issued by the Company and guaranteed by the Subsidiary Guarantors and secured over the shares in the Subsidiary Guarantors. As at the date of the RSA, the aggregate principal amount of the June 2022 Notes outstanding is US\$600,000,000;
- (b) the New York law-governed 7.95% senior notes due 8 August 2022 (the “**August 2022 Notes**”) issued by the Company and guaranteed by the Subsidiary Guarantors and secured over the shares in the Subsidiary Guarantors. As at the date of the RSA, the aggregate principal amount of the August 2022 Notes outstanding is US\$600,000,000;
- (c) the New York law-governed 8.35% senior notes due 19 April 2023 (the “**April 2023 Notes**”) issued by the Company and guaranteed by the Subsidiary Guarantors and secured over the shares in the Subsidiary Guarantors. As at the date of the RSA, the aggregate principal amount of the April 2023 Notes outstanding is US\$643,000,000;
- (d) the New York law-governed 6.50% senior notes due 9 July 2023 (the “**July 2023 Notes**”) issued by the Company and guaranteed by the Subsidiary Guarantors and secured over the shares in the Subsidiary Guarantors. As at the date of the RSA, the aggregate principal amount of the July 2023 Notes outstanding is US\$600,000,000;
- (e) the New York law-governed 7.95% senior notes due 11 October 2023 (the “**October 2023 Notes**”) issued by the Company and guaranteed by the Subsidiary Guarantors and secured over the shares in the Subsidiary Guarantors. As at the date of the RSA, the aggregate principal amount of the October 2023 Notes outstanding is US\$741,600,000;
- (f) the New York law-governed 7.50% senior notes due 1 February 2024 (the “**February 2024 Notes**”) issued by the Company and guaranteed by the Subsidiary Guarantors and secured over the shares in the Subsidiary Guarantors. As at the date of the RSA, the aggregate principal amount of the February 2024 Notes outstanding is US\$616,400,000;
- (g) the New York law-governed 5.95% senior notes due 26 April 2024 (the “**April 2024 Notes**”) issued by the Company and guaranteed by the Subsidiary Guarantors and secured over the shares in the Subsidiary Guarantors. As at the date of the RSA, the aggregate principal amount of the April 2024 Notes outstanding is US\$942,000,000;

LETTER FROM THE BOARD

- (h) the New York law-governed 6.65% senior notes due 3 August 2024 (the “**August 2024 Notes**”) issued by the Company and guaranteed by the Subsidiary Guarantors and secured over the shares in the Subsidiary Guarantors. As at the date of the RSA, the aggregate principal amount of the August 2024 Notes outstanding is US\$620,000,000;
- (i) the New York law-governed 6.80% senior notes due 20 October 2024 (the “**October 2024 Notes**”) issued by the Company and guaranteed by the Subsidiary Guarantors and secured over the shares in the Subsidiary Guarantors. As at the date of the RSA, the aggregate principal amount of the October 2024 Notes outstanding is US\$400,000,000;
- (j) the New York law-governed 6.50% senior notes due 10 January 2025 (the “**January 2025 Notes**”) issued by the Company and guaranteed by the Subsidiary Guarantors and secured over the shares in the Subsidiary Guarantors. As at the date of the RSA, the aggregate principal amount of the January 2025 Notes outstanding is US\$740,900,000;
- (k) the New York law-governed 7.00% senior notes due 9 July 2025 (the “**July 2025 Notes**”) issued by the Company and guaranteed by the Subsidiary Guarantors and secured over the shares in the Subsidiary Guarantors. As at the date of the RSA, the aggregate principal amount of the July 2025 Notes outstanding is US\$600,000,000;
- (l) the New York law-governed 6.50% senior notes due 26 January 2026 (the “**2026 Notes**”) issued by the Company and guaranteed by the Subsidiary Guarantors and secured over the shares in the Subsidiary Guarantors. As at the date of the RSA, the aggregate principal amount of the 2026 Notes outstanding is US\$600,000,000;
- (m) the New York law-governed 6.00% senior notes due 6 July 2022 (the “**Private 2022 Notes**”) issued by the Company and guaranteed by the Subsidiary Guarantors and secured over the shares in the Subsidiary Guarantors. As at the date of the RSA, the aggregate principal amount of the Private 2022 Notes outstanding is US\$225,000,000;
- (n) the Hong Kong law-governed 7.75% facility due 15 July 2022 (the “**Private Debt A**”) borrowed by the Company and guaranteed by the Subsidiary Guarantors and secured over the shares in the Subsidiary Guarantors. As at the date of the RSA, the aggregate principal amount of the Private Debt A outstanding is US\$300,000,000;
- (o) the Hong Kong law-governed floating rate facility due 28 August 2022 (the “**Private Debt B**”) borrowed by the Company and guaranteed by the Subsidiary Guarantors and secured over the shares in the Subsidiary Guarantors. As at the date of the RSA, the aggregate principal amount of the Private Debt B outstanding is US\$170,500,000;

LETTER FROM THE BOARD

- (p) the Hong Kong law-governed floating rate facility due 30 June 2024 (the “**Private Debt C**”) borrowed by the Company and guaranteed by the Subsidiary Guarantors and secured over the shares in the Subsidiary Guarantors. As at the date of the RSA, the aggregate principal amount of the Private Debt C outstanding is approximately US\$205,000,000 (consisting of facility A with a principal amount of US\$175,000,000 and facility B with a principal amount of HK\$235,500,000);
- (q) the English law-governed swap instrument due 18 March 2022 entered into by the Company (the “**Private Debt D**”). As at the date of the RSA, the aggregate principal amount of the Private Debt D outstanding is US\$28,030,000;
- (r) the English law-governed swap instrument due 7 June 2022 entered into by the Company (the “**Private Debt E**”). As at the date of the RSA, the aggregate principal amount of the Private Debt E outstanding is US\$768,647;
- (s) the Hong Kong law-governed 5.00% facility due 9 June 2022 (the “**Private Debt F**”) borrowed by the Company. As at the date of the RSA, the aggregate principal amount of the Private Debt F outstanding is US\$80,000,000;
- (t) the Hong Kong law-governed 7.00% facility due 2 July 2022 (the “**Private Debt G**”) borrowed by the Company. As at the date of the RSA, the aggregate principal amount of the Private Debt G outstanding is US\$70,000,000;
- (u) the Hong Kong law-governed 7.00% facility due 8 April 2023 (the “**Private Debt H**”) borrowed by the Company. As at the date of the RSA, the aggregate principal amount of the Private Debt H outstanding is US\$110,000,000; and
- (v) the Hong Kong law-governed 6.60% facility due 8 June 2023 (the “**Private Debt I**”) borrowed by the Company. As at the date of the RSA, the aggregate principal amount of the Private Debt I outstanding is US\$155,000,000,

provided that the Company may, at its election, (i) exclude any of the above existing private debt from the Scheme, or (ii) include any additional debt in the Scheme, provided that in each case it obtains the prior written consent of the Majority Ad Hoc Group (such consent not to be unreasonably withheld) and, to the extent that the excluded debt is held by a member of the Ad Hoc Group, consent shall also be required from that member of the Ad Hoc Group.

Any such election made by the Company would not affect the Specific Mandate to be granted, given that:

- (a) In respect of the CB, the principal amount of the CB is fixed at US\$1,000,000,000 and will not be increased or decreased as a result of the aforesaid exclusion or inclusion.

LETTER FROM THE BOARD

- (b) In respect of the MCB, the aggregate principal amount of MCB that can be elected by Scheme Creditors is subject to the current cap of US\$1,750,000,000, provided that the Company may in its sole discretion increase such cap in the event that the aggregate amount of MCB selected by Scheme Creditors exceeds such cap. The Specific Mandate in respect of the MCB Conversion Shares to be obtained at the EGM is in respect of the maximum number of MCB Conversion Shares issuable under the cap of US\$2,200,000,000. If the Company exercises its sole discretion to increase the cap beyond US\$2,200,000,000, the Company will use its general mandate or seek additional specific mandate from the Shareholders.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, each of the Scheme Creditors was independent of the Company and connected persons of the Company. The Company does not expect that any additional creditors to be included in the Scheme (if any) would be a connected person of the Company.

11. LISTING RULES IMPLICATIONS

The CB Issue

The CB Conversion Shares will be issued under the Specific Mandate to be sought from the Shareholders at the EGM. The CB Issue and the transactions contemplated thereunder are subject to the passing of necessary resolution by the Shareholders at the EGM. The issue of the CB Conversion Shares is conditional upon, among others, the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the CB Conversion Shares.

The MCB Issue

The MCB Conversion Shares will be issued under the Specific Mandate to be sought from the Shareholders at the EGM. The MCB Issue and the transactions contemplated thereunder are subject to the passing of necessary resolution by the Shareholders at the EGM. The issue of the MCB Conversion Shares is conditional upon, among others, the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the MCB Conversion Shares.

The Controlling Shareholder Bond Issue

The Controlling Shareholder is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Controlling Shareholder Bond Issue constitutes a connected transaction for the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Controlling Shareholder Conversion Shares will be issued under the Specific Mandate to be sought from the Independent Shareholders at the EGM. The Controlling Shareholder Bond Issue and the transactions contemplated thereunder are subject to the passing of necessary resolution by the Independent Shareholders at the EGM. The issue of the

LETTER FROM THE BOARD

Controlling Shareholder Conversion Shares is conditional upon, among others, the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Controlling Shareholder Conversion Shares.

An Independent Board Committee comprising all the independent non-executive Directors has been established to consider, and to advise the Independent Shareholders regarding the Controlling Shareholder Bond Issue and the transactions contemplated thereunder, and as to whether the Controlling Shareholder Bond Issue is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Opus Capital Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

12. PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposes to seek the approval by way of ordinary resolution at the EGM by the Shareholders of an increase in its authorised share capital from HK\$1,000,000,000 divided into 10,000,000,000 Shares to HK\$1,500,000,000 divided into 15,000,000,000 Shares by creating an additional 5,000,000,000 unissued Shares, such Shares shall rank *pari passu* in all respects.

In order to facilitate the Restructuring and to accommodate subsequent business development of the Group and to provide the Company with greater flexibility to raise funds in the future, the Board proposed the Increase in Authorised Share Capital. The Board believes the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.

13. EGM

Set out on pages EGM-1 to EGM-3 of this circular is the notice of the EGM at which, inter alia, ordinary resolutions will be proposed to the Shareholders to consider and approve the CB Issue and the MCB Issue and the transactions contemplated thereunder and the Increase in Authorised Share Capital, and ordinary resolutions will be proposed to the Independent Shareholders to consider and approve the Controlling Shareholder Bond Issue and the transactions contemplated thereunder.

A form of proxy is enclosed for use at the EGM. Such form of proxy is also published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sunac.com.cn). Whether or not you intend to be present at the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude Shareholders from attending and voting at the EGM if they so wish and in such event, the form of proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

Pursuant to article 66 of the Articles of Association and Rule 13.39(4) of the Listing Rules, at any general meeting a resolution put to the vote of the meeting shall be taken by way of a poll. The chairman of the EGM will explain the procedures for conducting a poll at the EGM.

On a poll, every Shareholder present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorised representative shall have one vote for every fully paid Share of which he/she/it is the holder, subject to the Articles of Association. A Shareholder entitled to more than one vote needs not use all his/her/its votes or cast all the votes he/she/it uses in the same way.

After the conclusion of the EGM, the poll results will be published by the Company on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sunac.com.cn) by way of an announcement.

Save that the Controlling Shareholder, Mr. Sun Hongbin, Tianjin Biaodi and Mr. Sun Kevin Zheyi (the son of Mr. Sun Hongbin), holding in aggregate approximately 38.75% of the total number of issued Shares as at the Latest Practicable Date, and being interested in the transactions contemplated under the Controlling Shareholder Bond Issue, shall abstain from voting for the resolution to approve the Controlling Shareholder Bond Issue and the transactions contemplated thereunder at the EGM, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder was required to abstain from voting for the resolution to approve the Controlling Shareholder Bond Issue and the transactions contemplated thereunder at the EGM or the resolutions to approve the CB Issue, the MCB Issue, the Increase in Authorised Share Capital and the transactions contemplated thereunder at the EGM.

14. RECOMMENDATIONS

The Board is of the view that the terms of the CB Issue, the MCB Issue, the Controlling Shareholder Bond Issue and the transactions contemplated thereunder, which have been agreed after arm's length negotiations, are on normal commercial terms and such terms are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Board also considers that the Increase in Authorised Share Capital is in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders and/or the Independent Shareholders to vote in favour of the resolutions for approving the CB Issue, the MCB Issue, the Controlling Shareholder Bond Issue and the transactions contemplated thereunder and the Increase in Authorised Share Capital to be proposed at the EGM.

LETTER FROM THE BOARD

15. ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee to the Independent Shareholders and the letter of advice from Opus Capital Limited to the Independent Board Committee and the Independent Shareholders with respect to the Controlling Shareholder Bond Issue and the transactions contemplated thereunder, and the additional information as set out in the appendix to this circular.

Completion of the transactions set out in this circular is subject to the fulfilment or waiver of the conditions precedent as set out in this circular. The transactions set out in this circular may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. If they are in any doubt, they should consult their professional advisers.

Yours faithfully,
By order of the Board
Sunac China Holdings Limited
Sun Hongbin
Chairman



SUNAC CHINA HOLDINGS LIMITED

融創中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01918)

13 June 2023

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RELATION TO THE ISSUE OF
CONTROLLING SHAREHOLDER BOND UNDER SPECIFIC MANDATE**

We refer to the circular issued by the Company to its Shareholders dated 13 June 2023 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall bear the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise you in respect of the Controlling Shareholder Bond Issue and the transactions contemplated thereunder (including the grant of the Specific Mandate with respect to the Controlling Shareholder Conversion Shares).

Opus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Controlling Shareholder Bond Issue and the transactions contemplated thereunder (including the grant of the Specific Mandate with respect to the Controlling Shareholder Conversion Shares). Details of the advice of the Independent Financial Adviser, together with the principal factors and reasons it has taken into consideration in giving its advice, are contained in its letter set out on pages 63 to 93 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendix to the Circular.

After taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we concur with their views and consider that although the entering into of the Controlling Shareholder Bond Subscription Agreement is not in the ordinary and usual course of business of the Company, the terms of the Controlling Shareholder Bond Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate with respect to the Controlling Shareholder Conversion Shares) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolution(s) to be proposed at the EGM to approve the Controlling Shareholder Bond Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate with respect to the Controlling Shareholder Conversion Shares).

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. POON Chiu Kwok

Independent

non-executive Director

Mr. ZHU Jia

Independent

non-executive Director

Mr. MA Lishan

Independent

non-executive Director

Mr. YUAN Zhigang

Independent

non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter from Opus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Controlling Shareholder Bond Issue and the transactions contemplated thereunder (including the grant of the Specific Mandate with respect to the Controlling Shareholder Conversion Shares) for the purpose of inclusion in this circular.



18th Floor, Fung House
19-20 Connaught Road Central
Central, Hong Kong

13 June 2023

To: *The Independent Board Committee and the Independent Shareholders of Sunac China Holdings Limited*

Dear Sirs or Madams,

ISSUE OF CONTROLLING SHAREHOLDER BOND UNDER SPECIFIC MANDATE – CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Controlling Shareholder Bond Issue and the transactions contemplated thereunder (including the grant of the Specific Mandate with respect to the Controlling Shareholder Conversion Shares), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 13 June 2023 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined or the context requires otherwise.

Prior to the issue of the Circular and the announcement of the Company dated 13 June 2023, the Company has been working closely and relentlessly with its financial and legal advisers to formulate a viable offshore debt restructuring plan, which culminated in the signing of the RSA between the Company and the Ad Hoc Group on 28 March 2023. The Restructuring is aimed at addressing the current liquidity pressure of the Company, enhancing the credit profile of the Group and protecting the interests of all stakeholders.

As stated in the Letter from the Board, the Company proposed to implement the Restructuring through a scheme of arrangement (i.e. the Scheme) between the Company and the Scheme Creditors. As at the Latest Practicable Date, Consenting Creditors holding approximately 87% of the aggregate outstanding principal amount of the Existing Debt have acceded to the RSA. By such accession, the Consenting Creditors have undertaken to take all such actions as are necessary to, among other things, vote in favour of the Scheme in respect of the aggregate outstanding principal amount of all the Existing Debt held by them at the Record Time at the Scheme Meeting.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Restructuring involves, as part of the Restructuring Consideration and in exchange for the discharge and release of the relevant Existing Debt claims of the Scheme Creditors against the Company, the issue of the New Notes and the CB, and, if the Scheme Creditors so voluntarily elect, the issue of the MCB and the transfer of the existing Sunac Services Shares, in each case to the Scheme Creditors on the Restructuring Effective Date. At the same time, the Controlling Shareholder has agreed to equitise the Controlling Shareholder Loan through the subscription for the Controlling Shareholder Bond on terms that are no more favourable than the terms of the MCB. Such Controlling Shareholder Bond shall be subordinated in rights of payment to the New Notes, the MCB and the CB, on and pursuant to the terms of the Intercreditor Agreement.

As at the Latest Practicable Date, the Controlling Shareholder Loan extended by the Controlling Shareholder to the Group remained outstanding.

Subject to the occurrence of the Restructuring Effective Date, the Company will issue the Controlling Shareholder Bond to the Controlling Shareholder pursuant to the terms of the Controlling Shareholder Bond Subscription Agreement. The terms of the Controlling Shareholder Bond will provide, among other things, that within 60 days after the relevant MCB conversion date, such proportion of the Controlling Shareholder Bond then outstanding will be mandatorily converted, directly or indirectly, into Shares as the same or approximately the same as the proportion that the principal amount of MCB so converted bears to the total outstanding principal amount of the MCB prior to such MCB conversion, provided that if such conversion of the relevant portion of the Controlling Shareholder Bond would result in the relevant thresholds under the Takeovers Code being exceeded thereby triggering a general offer under the Takeovers Code on the part of the Controlling Shareholder, the Company shall reduce the amount of the relevant portion to be converted to such amount which would avoid triggering such general offer and the remaining portion shall be converted into Shares at such time to be agreed between the Company and the Controlling Shareholder as would not trigger such general offer (both acting reasonably). The conversion price applicable to the portion of the Controlling Shareholder Bond to be so converted shall be equal to the MCB Conversion Price applicable to the MCB so converted.

The Controlling Shareholder is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Controlling Shareholder Bond Issue constitutes a connected transaction for the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Controlling Shareholder Conversion Shares will be issued under the Specific Mandate to be sought from the Independent Shareholders at the EGM. The Controlling Shareholder Bond Issue and the transactions contemplated thereunder are subject to the passing of necessary resolution by the Independent Shareholders at the EGM. The issue of the Controlling Shareholder Conversion Shares is conditional upon, among others, the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Controlling Shareholder Conversion Shares.

Each of Mr. Sun Hongbin and Mr. Sun Kevin Zheyi is considered to have a material interest in the Controlling Shareholder Bond Issue and has abstained from voting on the board resolutions in relation to the Controlling Shareholder Bond Issue. Save as disclosed above, none of the Directors has a material interest in the Controlling Shareholder Bond Issue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

An EGM will be convened and held for, among others, the Independent Shareholders to consider and, if thought fit, to approve by way of poll, the Controlling Shareholder Bond Issue and the transactions contemplated thereunder (including the grant of the Specific Mandate for the issue of the Controlling Shareholder Conversion Shares).

Save that the Controlling Shareholder, Mr. Sun Hongbin, Tianjin Biaodi and Mr. Sun Kevin Zheyi (the son of Mr. Sun Hongbin), holding in aggregate approximately 38.75% of the total number of issued Shares as at the Latest Practicable Date, and being interested in the transactions contemplated under the Controlling Shareholder Bond Issue, shall abstain from voting for the resolution to approve the Controlling Shareholder Bond Issue and the transactions contemplated thereunder at the EGM, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder was required to abstain from voting for the resolution to approve the Controlling Shareholder Bond Issue and the transactions contemplated thereunder at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee of the Company comprising Mr. Poon Chiu Kwok, Mr. Zhu Jia, Mr. Ma Lishan and Mr. Yuan Zhigang, all being independent non-executive Directors, has been established to consider and make a recommendation to the Independent Shareholders on: (i) whether the entering into of the Controlling Shareholder Bond Subscription Agreement is in the ordinary and usual course of business of the Company; (ii) whether the terms of the Controlling Shareholder Bond Issue and the transactions contemplated thereunder (including the grant of the Specific Mandate for the issue of the Controlling Shareholder Conversion Shares) are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as whole; and (iii) how the Independent Shareholders should vote in respect to the relevant resolutions to be proposed at the EGM to approve the Controlling Shareholder Bond Issue and the transactions contemplated thereunder (including the grant of the Specific Mandate for the issue of the Controlling Shareholder Conversion Shares). Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in the same respect has been approved pursuant to the Rule 13.84 of the Listing Rules.

OUR INDEPENDENCE

During the past two years immediately prior to the Latest Practicable Date, we were appointed as the independent financial adviser to advise the independent board committee and the independent shareholders of Sunac Services, a subsidiary of the Company, in respect of the continuing connected transactions in connection with the renewal of property management and related services, details of which are set out in the circular of Sunac Services dated 20 July 2022 (the "**Previous Appointment**"). The Previous Appointment was completed and independent to our current appointment.

We do not have any relationship with, or interest in, the Group, the Controlling Shareholder or other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to this appointment, save for the Previous Appointment, we have not (i) acted in the capacity as financial adviser or as an

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independent financial adviser to the Company; (ii) provided any services to the Company; or (iii) had any relationship with the Company. Apart from normal independent financial advisory fee paid or payable to us in connection with the Previous Appointment and the current appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, the Controlling Shareholder or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

- (i) the Company's annual report for the year ended 31 December ("FY") 2022 (the "**2022 Annual Report**");
- (ii) the Controlling Shareholder Bond Subscription Agreement; and
- (iii) other information as set out in the Circular.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the "**Management**"). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of

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their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the Controlling Shareholder Bond Issue and the transactions contemplated thereunder, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Controlling Shareholder Bond Issue and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group

Business profile

The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange. The Group is principally engaged in property development, cultural tourism city construction and operation and property management services in the PRC.

As disclosed in the Letter from the Board, with the brand philosophy of “passion for perfection”, the Group is committed to providing wonderful living environment and services for Chinese families through high-quality products and services and integration of high-quality resources. With a focus on its core business of real estate, the Group implements its strategic layout in real estate development, property management, ice & snow operation management, cultural tourism, culture and other business segments. After 20 years of development, the Group has become a leading enterprise in China’s real estate industry, and a leading ice & snow industry operator and a leading cultural tourism industry operator and property owner in China, with nationwide leading capabilities in comprehensive urban development and integrated industrial operation.

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Financial information

The following is a summary of the financial results of the Group for each of FY2021 and FY2022, as extracted from the 2022 Annual Report:

Table 1: Highlights of the financial results of the Group

	Audited	
	FY2022 <i>(RMB'000)</i>	FY2021 <i>(RMB'000)</i>
Revenue	96,751,764	198,386,734
– Property development	82,841,791	178,877,717
– Cultural tourism city construction and operation	4,765,158	5,722,730
– Property management	6,263,343	5,639,704
– All other segments	2,881,472	8,146,583
Gross loss	(819,175)	(1,792,863)
Finance expenses	(12,784,216)	(2,100,002)
Loss attributable to the Shareholders	(27,669,007)	(38,264,659)

Source: the 2022 Annual Report

During FY2022, the Group recorded revenue of approximately RMB96.75 billion, representing a decrease of approximately 51.2% from approximately RMB198.39 billion for FY2021. Such decrease in revenue was primarily due to the decrease in revenue from the property development segment whereby the Group's total area of delivered properties in FY2022 decreased by approximately 8.055 million square meters or approximately 49.9%, as compared with that for FY2021, and the average selling price of property projects delivered in some areas for FY2022 declined compared with those of FY2021, all of which took place amidst of a downturn in the PRC property development industry and COVID-19 pandemic (the “**Pandemic**”) during 2022.

The cost of sales of the Group mainly includes the costs incurred directly in the course of property development for the Group's properties sold. For FY2022, the Group's cost of sales was approximately RMB97.57 billion, representing a decrease of approximately 51.3% as compared to the cost of sales of approximately RMB200.18 billion for FY2021, mainly due to the decrease in the delivery area of the properties. The Group recorded gross loss of approximately RMB0.82 billion for FY2022, representing a decrease of approximately RMB0.97 billion from the gross loss of approximately RMB1.79 billion for FY2021. The gross profit margin of the Group was approximately minus 0.8% for FY2022, which was generally in line as compared to the gross profit margin for FY2021 of approximately minus 0.9%.

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As a result, the Group recorded loss attributable to the Shareholders of approximately RMB27.67 billion for FY2022, representing a decline in loss of approximately 27.7% from approximately RMB38.26 billion for FY2021. After excluding the impact of gains from business combination and its effect on fair value adjustments, gains or losses on changes in fair value of financial assets, derivative financial instruments and investment properties, disposal gains or losses on financial assets, subsidiaries and investments in joint ventures and associates, exchange gain or loss, charitable donations and losses on project demolition, loss attributable to the Shareholders decreased by approximately RMB11.44 billion from approximately RMB25.30 billion for FY2021 to approximately RMB13.86 billion for FY2022.

The following is a summary of the financial positions of the Group as at 31 December 2021 and 31 December 2022, as extracted from the 2022 Annual Report:

Table 2: Highlights of the financial positions of the Group

	Audited	
	As at 31 December 2022	2021
	(RMB'000)	(RMB'000)
Non-current assets	250,958,222	263,233,330
Current assets	839,209,249	913,321,558
Non-current liabilities	68,486,362	113,968,985
Current liabilities	935,278,272	937,911,657
Net asset value (“NAV”) attributable to the Shareholders	58,468,462	82,469,329

Source: the 2022 Annual Report

As at 31 December 2022, the total assets and liabilities of the Group were approximately RMB1,090.17 billion and RMB1,003.77 billion respectively, as compared to the total assets and liabilities of approximately RMB1,176.55 billion and approximately RMB1,051.88 billion as at 31 December 2021 respectively, registering a decrease of approximately 7.3% and 4.6% respectively. Given the movements of the total assets and total liabilities of the Group highlighted above, the NAV attributable to the Shareholders decreased from approximately RMB82.47 billion as at 31 December 2021 to approximately RMB58.47 billion as at 31 December 2022, representing a decrease of approximately 29.1%.

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Going concern with the need for the Restructuring (including the Controlling Shareholder Bond Issue)

In addition, it was noted from the 2022 Annual Report that, while the Board has prepared the consolidated financial statements of the Company as at 31 December 2022 on a going concern basis the Company's auditor, BDO Limited ("**BDO**"), has given disclaimer of opinion (the "**Disclaimer of Opinion**") on the consolidated financial statements of the Company for FY2022. The basis of the Disclaimer of Opinion indicated the existence of multiple uncertainties that may cast doubt on the Group's ability to continue as a going concern, details of which are summarised as follows:

- (i) the Group incurred a net loss of approximately RMB29.89 billion for FY2022 and, as at 31 December 2022, the Group had net current liabilities of approximately RMB96.07 billion;
- (ii) the Group's current and non-current borrowings amounted to approximately RMB253.48 billion and RMB44.94 billion as at 31 December 2022 respectively, while the Group had total cash (including cash and cash equivalents and restricted cash) amounting to approximately RMB37.54 billion;
- (iii) as at 31 December 2022, the Group had not repaid borrowings of approximately RMB80.89 billion in aggregate according to their scheduled repayment dates, and as a result, non-current borrowings of approximately RMB85.50 billion in aggregate might be demanded for early repayment;
- (iv) up to the date of the independent auditor's report, the Group had not repaid borrowings in principal amount of approximately RMB100.52 billion in aggregate according to their scheduled repayment dates and as a result, non-current borrowings in principal amount of approximately RMB83.55 billion in aggregate might be demand for early repayment; and
- (v) the Group was involved in various litigation and arbitration cases for various reasons including settlement of the unpaid borrowings, outstanding construction and daily operations payables, delayed delivery of several projects and other matters.

We note that it is not the first year the Company's consolidated financial statements of the Company received a disclaimer of opinion from BDO. In fact, BDO issued a disclaimer of opinion on the Company's consolidated financial statements for FY2021 under very similar circumstances as the Disclaimer of Opinion.

On 8 September 2022, the Company received a winding-up petition against the Company (the "**Petition**") filed by Chen Huaijun at the High Court of Hong Kong (the "**High Court**") in relation to the non-repayment by the Company of the senior notes held by him in a principal amount of US\$22 million and accrued interests. At the hearing of the High Court on 16 November 2022, the High Court ordered the hearing of the Petition

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to be adjourned to 14 June 2023. Since the receipt of the Petition, the Company has been actively pursuing legal measures to resolutely oppose the Petition, and taking all necessary actions to protect its legal rights. According to the Company, it does not believe the Petition will have a meaningful impact on the restructuring plan or timetable.

Based on the above, we note that the Company is facing significant pressure on its working capital and liquidity position. The challenging financial position also create concerns to the Company as a going-concern.

2. Background information of the Controlling Shareholder

The Controlling Shareholder is Sunac International Investment Holdings Ltd, a company incorporated in the British Virgin Islands, which is controlled by family trusts of Mr. Sun Hongbin, the chairman of the Board and an executive Director. As at the Latest Practicable Date, the Controlling Shareholder held 2,042,623,884 Shares, representing approximately 37.49% of the issued share capital of the Company. The Controlling Shareholder is principally engaged in investment holding.

3. Reasons for and benefits of the Possible Transactions in connection with the Restructuring (including the Controlling Shareholder Bond Issue)

Overview of the Group's financial situation

As disclosed in the Letter from the Board, since the fourth quarter of 2021, the industry environment has been constantly changing. A number of situations went beyond the Group's expectation. The Group has proactively taken all necessary measures to ensure stable cash flow. However, sales have declined precipitously since March 2022, and various funding proposals such as asset disposals and targeted financing, which were aggressively promoted to satisfy the liquidity requirements in the second quarter of 2022, could not be implemented due to the unfavorable changes in the external environment, resulting in the Group encountering liquidity issues.

As at 31 December 2022, the Company had borrowings of RMB298,419 million (of which RMB44,943 million were classified as non-current borrowings and RMB253,476 million were classified as current borrowings). The borrowings of the Company mainly comprised bank and other institution borrowings, senior notes, corporate bonds and private domestic corporate bonds. Further details of the indebtedness situation of the Company as at 31 December 2022 are set out in the 2022 Annual Report and published on the website of the Stock Exchange on 27 April 2023.

The current borrowings of RMB253,476 million include (1) borrowings of approximately RMB33,751 million which are under normal status and due within one year, and (2) borrowings of approximately RMB219,725 million in aggregate, comprising borrowings of approximately RMB80,888 million that have not been repaid according to their scheduled repayment dates, and borrowings of approximately RMB138,837 million that might be demanded for early repayment.

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The table below sets out the borrowings of the Company as at 31 December 2022:

	As at 31 December 2022 <i>RMB (million)</i>
Non-current borrowings	44,943
Current borrowings	253,476
o borrowings which are under normal status and due within one year	33,751
o borrowings that have not been repaid according to their scheduled repayment dates or that might be demanded for early repayment	219,725
• borrowings that have not been repaid according to their scheduled repayment dates	80,888
• borrowings that might be demanded for early repayment	138,837
Total borrowings	298,419

To address the repayment issue in relation to the aforementioned current borrowings of RMB219,725 million, in respect of the offshore debts in principal amount of approximately US\$10,907 million (equivalent to approximately RMB75,964 million) in aggregate, the Company intends to conduct the Restructuring through the Scheme in respect of the senior notes in principal amount of approximately US\$7,704 million (equivalent to approximately RMB53,655 million) in aggregate and the offshore debt instruments in principal amount of approximately US\$1,344 million (equivalent to approximately RMB9,362 million) in aggregate. The Company has been negotiating and will continue to negotiate with the other secured offshore creditors on a bilateral basis for the extension of the offshore secured borrowings of approximately US\$1,859 million (equivalent to approximately RMB12,947 million), of which borrowings of approximately US\$1,533 million (equivalent to approximately RMB10,677 million) have been extended by agreement, and the remaining borrowings of approximately US\$326 million (equivalent to approximately RMB2,270 million) are being actively negotiated for their extension and the negotiation is progressing well. In addition, approximately RMB143,761 million of the current borrowings mainly comprise bank and other financial institution borrowings at the onshore project company level. The Group has quality assets and a majority of the projects are operating in the normal course of business. For some projects with repayment difficulty due to market downturn, the Group will continue to leverage supportive industry policies in actively communicating with financial institutions and implementing extension arrangement so as to orderly resolve financing issues.

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The plan to address the repayment issue in relation to the current borrowings of the Company is summarised in the table below:

	As at 31 December 2022	
	<i>RMB (million)</i>	<i>US\$ (million)</i>
(1) Offshore debts	75,964	10,907
– Restructuring through the Scheme in respect of		
o the senior notes	53,655	7,704
o the offshore debt instruments	9,362	1,344
	<u>63,017</u>	<u>9,048</u>
– Other secured offshore creditors on a bilateral basis for the extension of the offshore secured borrowings (<i>Note 1</i>)		
o borrowings extended by agreement (<i>Note 1</i>)	10,677	1,533
o borrowings being actively negotiated for their extension (<i>Note 1</i>)	2,270	326
	<u>12,947</u>	<u>1,859</u>
(2) Onshore debts (mainly comprising bank and other financial institution borrowings at the onshore project company level)	143,761	20,642
Total current borrowings that have not been repaid according to their scheduled repayment dates or that might be demanded for early repayment	219,725	31,549

Note 1: These figures represent the latest status of such offshore secured borrowings as at the Latest Practicable Date.

The Restructuring

Over the past year, the Group has been actively working with its financial adviser, Houlihan Lokey (China) Limited, and legal adviser, Sidley Austin, to assess its current financial and operational conditions with a view to formulating a solution that respects the rights of all stakeholders and unlocks the inherent value of the Group's business and assets as the onshore operating environment recovers over time. The Group and members of the Ad Hoc Group, together with their respective advisers, have been engaged in constructive dialogue towards a consensual restructuring of the Company's offshore indebtedness. On 28 March 2023, the Company reached agreement with the Ad Hoc Group representing over 30% of the aggregate outstanding principal amount of the Existing Debt on the terms of the Restructuring.

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The Restructuring is intended to (a) provide the Company with a long-term, sustainable capital structure; (b) allow adequate financial flexibility and sufficient runway to stabilise the business; and (c) protect the rights and interests, and maximize value, for all stakeholders (the “**Key Restructuring Objectives**”). As mentioned above, the Restructuring seeks to address the Company’s existing senior notes and other offshore instruments or debts in the principal amount of US\$9,048 million (or approximately RMB63,017 million), comprising senior notes in the principal amount of US\$7,704 million (or approximately RMB53,655 million) and other offshore instruments in the principal amount of US\$1,344 million (or approximately RMB9,362 million). Details of the creditors of such indebtedness are set out in the section headed “10. INFORMATION ON THE EXISTING DEBT UNDER THE SCHEME” in the Letter from the Board. Save for debts in respect of which the Company reached or the Company is confident that it will reach bilateral agreements with the relevant creditors, the Restructuring will address all existing debts of the Company.

The Controlling Shareholder Loan in the principal amount of US\$450 million (or approximately RMB3,134 million) will be dealt with through the issue of the Controlling Shareholder Bond. The main feature of the Controlling Shareholder Bond is that the Controlling Shareholder Bond will be converted into shares within 60 days after the relevant MCB conversion date in the same proportion and at the same conversion price as that under the MCB. The Controlling Shareholder Bond Issue reflects the long-term support from the Controlling Shareholder for the Group through the conversion of the Controlling Shareholder Bond into equity.

The Restructuring will be implemented through the Scheme, the effect of which is that once the Scheme becomes effective, all the Existing Debt claims of the Scheme Creditors will be discharged and extinguished and the Scheme Creditors will not be allowed to make any claim against the Company in respect of their Existing Debt.

No net proceeds will be received by the Group from the CB Issue, the MCB Issue, the Disposal and the Controlling Shareholder Bond Issue. All proceeds from the CB Issue and the MCB Issue and the Disposal will be applied towards the satisfaction of part of the Restructuring Consideration in connection with the Restructuring, and all proceeds from the Controlling Shareholder Bond Issue will be applied towards setting off the Controlling Shareholder Loan owing to the Controlling Shareholder by the Group, thereby in each case reducing the overall debt size and debt pressure of the Group, enhancing its NAV and significantly improving the financial position of the Company. As the term of each of the New Notes, CB and MCB to be issued as part of the Restructuring Consideration will be longer than one year, upon completion of the Restructuring, the indebtedness of the Company in the principal amount of US\$9,048 million (or approximately RMB63,017 million), all of which are now regarded as current liabilities of the Company, will be reclassified to non-current liabilities of the Company, thereby greatly improving the liquidity of the Company. The CB Issue, the MCB Issue and the Controlling Shareholder Bond Issue would also increase the capital base through the issue of Shares and help the Company achieve a sustainable capital structure. Without a successful restructuring, the value of the Company would be significantly destructed, and the equity value would be severely less.

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As stated in the announcement of the Company dated 14 November 2021 (“**Controlling Shareholder Loan Announcement**”), out of his long-term confidence in and long-term commitment to the Group, Mr. Sun Hongbin, the controlling shareholder of the Company and the chairman of the Board, has provided out of his own funds US\$450 million to the Group (in the form of interest-free loan), being the Controlling Shareholder Loan, to support the continuous business development of the Group. As stated in the announcement of the Company dated 28 March 2023, the Controlling Shareholder is fully committed to the Restructuring and the Company’s deleveraging plan. Accordingly, the Controlling Shareholder has agreed to equitise the Controlling Shareholder Loan (i.e. US\$450 million) on terms that are no more favourable than the terms of the proposed MCB.

In relation to the Disclaimer of Opinion, it is noted from the independent auditor’s report for FY2022 that the consolidated financial statements have been prepared on a going concern basis as the Company has been undertaking a number of plans and measures to improve the Group’s liquidity and financial position, and has developed debt solutions. The Group’s ability to continue as a going concern largely hinges on whether (a) it can successfully complete the Restructuring, of which the Controlling Shareholder Bond Issue forms a part; and (b) it can successfully negotiate with the remaining lenders of the Group on the extension of deferral of the repayment of the Group’s borrowings.

In view of the above factors, in particular the net current liability position of the Group as at 31 December 2022 of approximately RMB96.07 billion with the pressing need to move forward to achieve the Key Restructuring Objectives, we are therefore of the view that the Restructuring (including the Controlling Shareholder Bond Issue), though not in the ordinary course of business of Group but has arisen out of the need to restore the normal course of business of the Group, are in the interests of the Company and the Shareholders as a whole.

4. Issue of the Controlling Shareholder Bond under the Specific Mandate

As at the Latest Practicable Date, the Controlling Shareholder Loan extended by the Controlling Shareholder to the Group remained outstanding.

Pursuant to the terms of the Controlling Shareholder Bond Subscription Agreement, the Controlling Shareholder will conditionally agree to subscribe for, and the Company will conditionally agree to issue, the Controlling Shareholder Bond, on the Restructuring Effective Date.

Conditions:

Completion of the Controlling Shareholder Bond Issue will be conditional upon:

- (a) the occurrence of the Restructuring Effective Date;
- (b) the listing of and permission to deal in the Controlling Shareholder Conversion Shares being granted by the listing committee of the Stock Exchange;

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- (c) the passing of all necessary resolutions by the Independent Shareholders to approve the Controlling Shareholder Bond Subscription Agreement and the transactions contemplated thereunder and to grant the Specific Mandate to the Board for the purpose of the allotment and issuance of the Controlling Shareholder Conversion Shares; and
- (d) the Intercreditor Agreement being in Agreed Form.

If the above conditions are not fulfilled on or prior to 31 December 2023 or such later date and time as the Company may elect to extend to with the prior written consent of the Super Majority Ad Hoc Group or Majority Consenting Creditors (provided such date shall not be extended beyond 31 March 2024), the Controlling Shareholder Bond Subscription Agreement shall terminate and none of the parties shall have any claim against the other for costs, damages, compensation or otherwise. As at the Latest Practicable Date, none of the above conditions had been fulfilled.

Completion

Subject to the fulfilment of the above conditions, completion of the issue of the Controlling Shareholder Bond to the Controlling Shareholder shall take place on the Restructuring Effective Date whereupon the Company shall issue the Controlling Shareholder Bond to the Controlling Shareholder by delivery of an instrument to the Controlling Shareholder, and the Controlling Shareholder shall settle the subscription price for the Controlling Shareholder Bond (i.e. US\$450,000,000) which shall be deemed satisfied by the Controlling Shareholder agreeing to set-off and waive any rights of repayment or recourse against the Company and other relevant members of the Group in respect of the Controlling Shareholder Loan, upon which the Controlling Shareholder Loan shall be deemed irrevocably repaid by the Company and the Controlling Shareholder shall not have any claim or other right of set-off or recourse with respect to the Controlling Shareholder Loan against the Group.

Specific Mandate

The Controlling Shareholder Conversion Shares will be issued under the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

Application for listing

An application will be made by the Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Controlling Shareholder Conversion Shares. No application will be made for the listing of the Controlling Shareholder Bond on the Stock Exchange or any other stock exchange.

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5. Principal terms of the Controlling Shareholder Bond

We outlined below the principal terms and conditions of the Controlling Shareholder Bond. Further details are set out in the Letter from the Board under the sub-section headed “Principal terms of the Controlling Shareholder Bond”:

Issuer:	The Company
Principal amount:	US\$450,000,000
Issue date:	Restructuring Effective Date
Maturity:	5 years from the Restructuring Effective Date or 30 September 2023, whichever is earlier, with the outstanding principal amount of the Controlling Shareholder Bond mandatorily converted into the Shares at maturity, subject to the terms set out in the paragraph headed “Maturity Conversion” below
Interest:	The Controlling Shareholder Bond is not interest bearing
Conversion:	(a) Corresponding Conversion:

Within 60 days after the relevant MCB conversion date, such proportion of the Controlling Shareholder Bond then outstanding will be mandatorily converted, directly or indirectly, into Shares as the same or approximately the same as the proportion that the principal amount of MCB so converted bears to the total outstanding principal amount of the MCB prior to such MCB conversion, provided that if such conversion of the relevant portion of the Controlling Shareholder Bond would result in the relevant thresholds under the Takeovers Code being exceeded thereby triggering a general offer under the Takeovers Code on the part of the Controlling Shareholder, the Company shall reduce the amount of the relevant portion to be converted to such amount which would avoid triggering such general offer and the remaining portion shall be converted into Shares at such time to be agreed between the Company and the Controlling Shareholder as would not trigger such general offer (both acting reasonably) (the “**Corresponding Conversion**”).

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(b) Maturity Conversion:

All remaining outstanding principal amount of the Controlling Shareholder Bond as of the maturity date shall be mandatorily converted into Shares at the maturity date, provided that if such conversion of such remaining portion would result in the relevant thresholds under the Takeovers Code being exceeded thereby triggering a general offer under the Takeovers Code on the part of the Controlling Shareholder, the Company shall reduce the amount of such remaining portion to be converted on the maturity date to such amount which would avoid triggering such general offer, and any remaining portion of the Controlling Shareholder Bond after such reduction shall be converted into Shares at such time after the maturity date as agreed between the Company and the Controlling Shareholder (both acting reasonably) which would not trigger such general offer under the Takeovers Code on the part of the Controlling Shareholder (the “**Maturity Conversion**”).

Conversion price:

The Controlling Shareholder Bond Conversion Price in respect of a Corresponding Conversion shall be equal to the MCB Conversion Price applicable to the MCB so converted with respect to the relevant conversion of the MCB. Please refer to the MCB Conversion Price in the paragraph below.

The Controlling Shareholder Bond Conversion Price in respect of the Maturity Conversion shall be equal to the conversion price applicable to the remaining MCB so mandatorily converted upon maturity of the MCB under the terms of the MCB.

MCB Conversion Price:

Subject to the terms and conditions of the MCB, the MCB Conversion Price for each of the Upfront Conversion, the Ordinary Conversion, the Trigger Conversion, the Mandatory Conversion and the Specified Events Conversion is as follows (each subject to adjustment in accordance with the terms and conditions of the MCB):

- (a) Conversion Price in respect of an Upfront Conversion:** initially HK\$6.00 per Share.

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- (b) **Conversion Price in respect of an Ordinary Conversion:** initially the 90-Trading Day-VWAP immediately preceding the date that is the first day of the relevant Ordinary Conversion Period, subject to a minimum price equal to the MCB Minimum Conversion Price.

- (c) **Conversion Price in respect of a Trigger Conversion:** initially the 90-Trading Day-VWAP immediately preceding the date that is the first day of the relevant Trigger Conversion Period, subject to a minimum price equal to the MCB Minimum Conversion Price.

- (d) **Conversion Price in respect of the Mandatory Conversion:** initially the 90-Trading Day-VWAP immediately preceding the date falling 20 business days prior to the maturity date, subject to a minimum price equal to the MCB Minimum Conversion Price.

- (e) **Conversion Price in respect of the Specified Events Conversion:** initially the 90-Trading Day-VWAP immediately preceding the date of the Specified Events conversion period as set out in the terms and conditions of the MCB, subject to a minimum price equal to the MCB Minimum Conversion Price.

Each of the MCB Conversion Prices above and the MCB Minimum Conversion Price may be adjusted upon the occurrence of the adjustment events set out in the paragraph headed “Adjustment events” in the Letter from the Board. Such adjustments shall apply on and from the date of the RSA.

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The MCB Conversion Price in respect of an Upfront Conversion and the mechanism for determining the MCB Conversion Price in respect of an Ordinary Conversion, a Trigger Conversion, the Mandatory Conversion and the Specified Events Conversion was determined after arms' length negotiations between the Company and the Ad Hoc Group after taking into account, among other things, the share price performance of the Company and the assessment of acceptability of Scheme Creditors towards the terms of the Restructuring with a view to achieving a sustainable capital structure. The initial MCB Conversion Price of HK\$6.00 per Share in respect of an Upfront Conversion is at a premium to the closing price of HK\$4.58 per Share as quoted on the Stock Exchange on 31 March 2022, being the last trading day prior to the signing of the RSA on 28 March 2023 (the "**Last Trading Day**"), and the MCB Conversion Price in respect of the other conversions will be based on the 90-Trading Day-VWAP of the relevant dates. The MCB Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**Maximum number of
Controlling
Shareholder
Conversion Shares to
be issued:**

Assuming full conversion of the Controlling Shareholder Bond at the MCB Minimum Conversion Price of HK\$4 per Share and based on the agreed exchange rate of US\$1 = HK\$7.8, up to 877,500,000 Controlling Shareholder Conversion Shares will be issued, which represent:

- (a) approximately 16.10% of the existing issued share capital of the Company as at the Latest Practicable Date;
- (b) approximately 13.87% of the issued share capital of the Company as enlarged by the issue of such Controlling Shareholder Conversion Shares; and
- (c) approximately 7.97% of the issued share capital of the Company as enlarged by (i) the issue of such Controlling Shareholder Conversion Shares, (ii) the issue of CB Conversion Shares upon full conversion of the CB at the CB Conversion Price of HK\$20 per Share and (iii) the issue of MCB Conversion Shares upon full conversion of the MCB at the same conversion price of HK\$4 per Share (further assuming there is no other change in the issued share capital of the Company).

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The Controlling Shareholder Conversion Shares, upon full conversion, shall have an aggregate nominal value of up to HK\$87,750,000.

Security and guarantee: No security or guarantee.

Repayment arrangement: The Company shall not repay the Controlling Shareholder Bond before its maturity (whether through repayment, redemption, repurchase or otherwise) to the extent any MCB remains outstanding except that the Controlling Shareholder Bond can be tendered for acceptance in a general or partial takeover offer to purchase made to both the Controlling Shareholder and the holders of the MCB (i) made by a Strategic Investor and (ii) on such terms that are no more favourable than the offer made to holders of MCB.

Redemption events: (a) **Redemption upon maturity**

Subject to the terms of the Controlling Shareholder Bond, unless previously redeemed, converted or purchased and cancelled, any remaining outstanding principal amount of the Controlling Shareholder Bond will be mandatorily converted into Shares on the maturity date (subject to the terms set out in the paragraph headed “Maturity Conversion” above).

(b) **Redemption at the option of the Company**

Subject to the repayment arrangement set out above and the other terms of the Controlling Shareholder Bond, on giving not less than 15 business days’ notice to the Controlling Shareholder (which notice shall be irrevocable), the Company may redeem all or any part of the Controlling Shareholder Bond on the date specified in the notice at their principal amount as at such date, at any time.

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Ranking: The Controlling Shareholder Bond (and the Controlling Shareholder Loan if, for whatever reason, it remains outstanding) shall be subordinated in rights of payment to the New Notes, the MCB and CB, on and pursuant to the terms of the Intercreditor Agreement. The Controlling Shareholder Conversion Shares, when allotted and issued to the Controlling Shareholder, shall rank *pari passu* in all respects with the Shares in issue on the date on which the Controlling Shareholder is registered as such in the Company's register of members.

Voting rights: The holder of the Controlling Shareholder Bond shall not have any right to attend or vote in any general meeting of the Company.

Transferability: The Controlling Shareholder Bond is not transferable.

The Controlling Shareholder has agreed to equitise the US\$450 million Controlling Shareholder Loan on terms that are no more favourable than the terms of the proposed MCB. Such course of action should be regarded as the demonstration of his confidence in the future prospects of the Company following the Restructuring and his continuous support for the Company's business development with an aim to improve the financial position of the Company by way of achieving the Key Restructuring Objectives.

For further details of the principal terms of the MCB and the Controlling Shareholder Bond, please refer to the sections headed "6. ISSUE OF CONTROLLING SHAREHOLDER BOND UNDER SPECIFIC MANDATE" and "4. ISSUE OF MCB UNDER SPECIFIC MANDATE" in the Letter from the Board.

6. Evaluation of the key terms of the Controlling Shareholder Bond Issue

Share price comparisons

Pursuant to the terms of the Controlling Shareholder Bond Issue, the Controlling Shareholder Bond Conversion Price essentially mirrors that of the MCB, whether under the Corresponding Conversion or the Maturity Conversion.

As set out in the Letter from the Board, the MCB Conversion Price in respect of an Upfront Conversion and the mechanism for determining the MCB Conversion Price in respect of an Ordinary Conversion, a Trigger Conversion, the Mandatory Conversion and the Specified Events Conversion was determined after arms' length negotiations between the Company and the Ad Hoc Group after taking into account, among other things, the share price performance of the Company and the assessment of acceptability of Scheme Creditors towards the terms of the Restructuring with a view to achieving a sustainable capital structure. The initial MCB Conversion Price of HK\$6.00 per Share in respect of an Upfront Conversion is at a premium to the closing price of HK\$4.58 per Share as quoted on the Stock Exchange on 31 March 2022, being the Last Trading Day, and the

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MCB Conversion Price in respect of the other conversions will be based on the 90-Trading Day-VWAP of the relevant dates.

The initial MCB Conversion Price of HK\$6.00 per Share represents:

- (a) a premium of approximately 31.00% over the closing price of HK\$4.58 per Share as quoted on the Stock Exchange on 31 March 2022, being the Last Trading Day;
- (b) a premium of approximately 27.66% over the average closing price of HK\$4.70 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares up to and including the Last Trading Day;
- (c) a premium of approximately 284.62% over the closing price of HK\$1.56 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (d) a discount of approximately 53.42% to the Group's audited NAV attributable to the Shareholders per Share as at 31 December 2022 of approximately RMB10.73 (equivalent to approximately HK\$12.88, based on an exchange rate of RMB1 = HK\$1.2), based on the 5,448,883,911 Shares in issue as at the Latest Practicable Date.

The initial MCB Minimum Conversion Price of HK\$4 per Share represents:

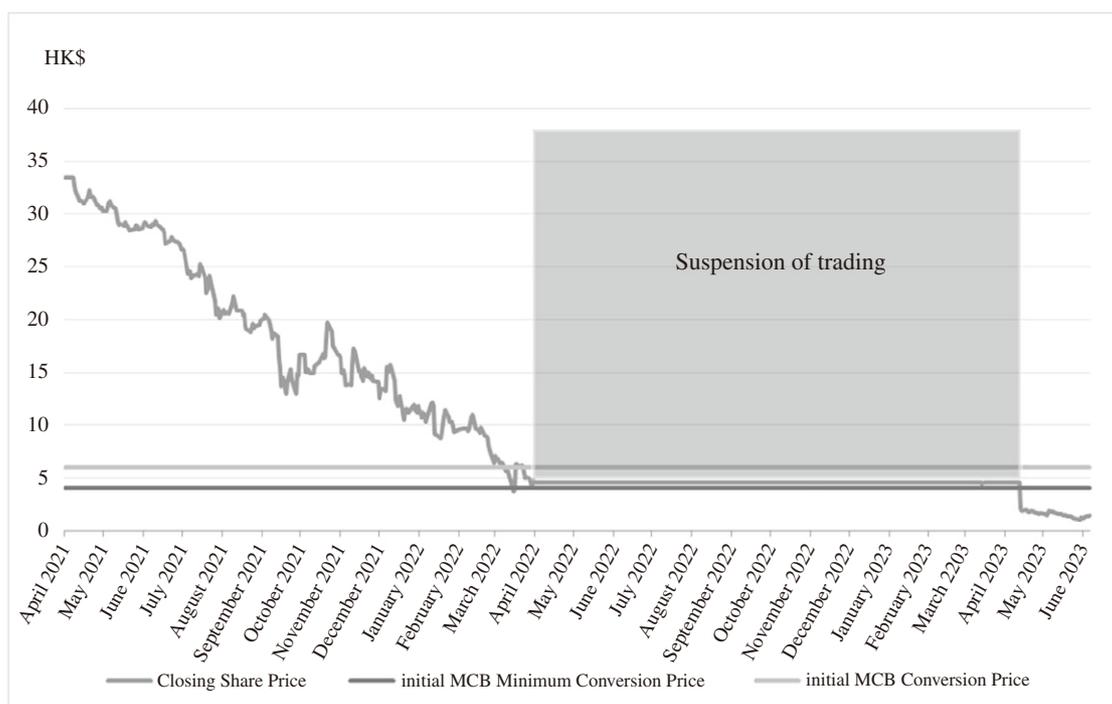
- (a) a discount of approximately 12.66% to the closing price of HK\$4.58 per Share as quoted on the Stock Exchange on 31 March 2022, being the Last Trading Day;
- (b) a discount of approximately 14.89% to the average closing price of HK\$4.70 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares up to and including the Last Trading Day;
- (c) a premium of approximately 156.41% over the closing price of HK\$1.56 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (d) a discount of approximately 68.94% to the Group's audited NAV attributable to the Shareholders per Share as at 31 December 2022 of approximately RMB10.73 (equivalent to approximately HK\$12.88, based on an exchange rate of RMB1 = HK\$1.2), based on the 5,448,883,911 Shares in issue as at the Latest Practicable Date.

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Historical Share price performance

In order to assess the fairness and reasonableness of the initial MCB Conversion Price at HK\$6 per Share and the initial MCB Minimum Conversion Price at HK\$4 per Share, we have reviewed the daily closing prices of the Shares from 1 April 2021, being approximately one year, prior to the suspension of trading in the Shares on 1 April 2022, up to and including the Latest Practicable Date (the “**Review Period**”). We consider that the Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices of the Shares and having factored into the capital market assessment of the Company after the resumption of trading of the Shares on 13 April 2023. Such comparison is relevant for the assessment of the fairness and reasonableness of the initial MCB Conversion Price and the initial MCB Minimum Conversion Price. The following diagram sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:

Chart 1: Movement of the closing prices of the Shares during the Review Period



Source: website of the Stock Exchange

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As illustrated by Chart 1 above, during the Review Period, the closing prices of the Shares demonstrated a general decreasing trend since the peak on 7 April 2021, traded between a range of HK\$1.10 per Share as recorded on 29 May 2023 and HK\$33.5 per Share as recorded on 7 April 2021. Both the initial MCB Conversion Price (i.e. HK\$6) and the initial MCB Minimum Conversion Price (i.e. HK\$4) are within the range of the closing prices of the Shares during the Review Period. The initial MCB Conversion Price represents a premium over the relevant lowest closing price of approximately 445.5%, while represents a discount to the relevant highest closing price of approximately 82.1%. The initial MCB Minimum Conversion Price represents a premium over the relevant lowest closing price of approximately 263.6%, while represents a discount to the relevant highest closing price of approximately 88.1%. As illustrated in the chart 1 above, there are some notable events, which may or may not have impacted the closing prices of the Shares during the Review Period, as follows:

- (i) the closing price of the Shares reached its peak at HK\$33.50, being the highest closing price during the Review Period on 7 April 2021. The Company published an unaudited operation data announcement for March 2021 on the same date;
- (ii) the Company published the interim results announcement for the six months ended 30 June 2021 on 30 August 2021, the closing price of the Shares increased from HK\$19.52 on 30 August 2021 to HK\$20.45 on 3 September 2021;
- (iii) the closing price of the Shares stood at approximately HK\$14.90 on 8 October 2021. Subsequent to the publication of unaudited operation data for September 2021 on the same day, the closing price of the Shares hiked to HK\$19.68 on 22 October 2021;
- (iv) on 21 March 2022, the Company announced a profit warning announcement in connection with, among others, the profit attributable to the Shareholders for FY2021 which was expected to decrease by approximately 85% as compared with the previous year, the closing price of the Shares decreased from HK\$6.20 on 22 March 2022 to HK\$4.58 on 31 March 2022;
- (v) the Company also published an announcement on 21 March 2022 in relation to the expected delay in publication of the audited annual results for FY2021;
- (vi) the Company published an announcement in relation to the non-publication of unaudited annual results for FY2021 on 28 March 2022 after taking into account the uncertainty affecting the financial statements as a result of (a) the expected workload of and the time required for the unfinished parts of the preparation of the financial statements; (b) the issues relating to the offshore loans of the Company arising from the recent downgrade of the Company's credit ratings by international rating agencies, in respect of which the Company was actively communicating with relevant creditors for solutions; and (c) the proposed extension of certain public domestic bonds of Sunac Real

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Estate Group Co., Ltd. Consequently, the trading in the Company's shares on the Stock Exchange were suspended with effect from 9:00 a.m. on 1 April 2022. The closing price of the Shares dropped from HK\$4.94 on 28 March 2022 to HK\$4.58 on 31 March 2022, being the Last Trading Day;

- (vii) as stated in the fulfilment of resumption guidance and resumption of trading announcement of the Company dated 12 April 2023, the resumption guidance has been addressed, the Company has applied to the Stock Exchange for the resumption of trading (the "**Resumption**") in the Shares on the Stock Exchange with effect from 9:00 a.m. on 13 April 2023. The closing price of the Shares stood at HK\$2.04 on 13 April 2023 and started to decline to HK\$1.10 on 29 May 2023, being the lowest closing price of Shares during the Review Period;
- (viii) the closing price of the Shares increased moderately from HK\$1.58 on 4 May 2023 to HK\$1.86 on 5 May 2023 after the publication of a voluntary announcement in relation to the progress of offshore debt restructuring on 4 May 2023; and
- (ix) the closing price of the Shares oscillated downward to its lowest level during the Review Period at HK\$1.10 on 29 May 2023 while following the publication of an announcement regarding the Company's acquisition of 51% equity interest in Tianjin Greentown National Games Village Construction Development Co., Ltd. held by Greentown Real Estate Group Co., Ltd., the closing price of the Shares rose and closed at HK\$1.56 on the Latest Practicable Date.

As advised by the Management, other than the events mentioned above, the Management were not aware of any events that led to the fluctuation trend in the closing prices of the Shares during the Review Period.

During the period between 13 April 2023, being the first trading day following the Resumption, and the Latest Practicable Date (the "**Post-Resumption Period**"), the closing prices of the Shares demonstrated a general decreasing trend since the peak on 13 April 2023, traded between a range of HK\$2.04 per Share as recorded on 13 April 2023 and HK\$1.10 per Share as recorded on 29 May 2023. The average closing price during the Post-Resumption Period was approximately HK\$1.56 per Share. Both the initial MCB Conversion Price (i.e. HK\$6) and the initial MCB Minimum Conversion Price (i.e. HK\$4) are higher than the range of the closing prices of the Shares during the Post-Resumption Period. The initial MCB Conversion Price represents a premium over the average closing price by approximately 284.6%, while the initial MCB Minimum Conversion Price represents a premium over the average closing price by approximately 156.4%. The initial MCB Conversion Price represents a premium over the relevant lowest closing price by approximately 445.5%, while represents a premium to the relevant highest closing price by approximately 194.1%. The initial MCB Minimum Conversion Price represents a premium over the relevant lowest closing price by approximately 263.6%, while represents a premium to the relevant highest closing price by approximately 96.1%.

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In light of the above analysis, we note in particular the following terms: (i) both the initial MCB Conversion Price (i.e. HK\$6) and the initial MCB Minimum Conversion Price (i.e. HK\$4) are within the range of the closing price during the Review Period; (ii) each of the initial MCB Conversion Price (i.e. HK\$6) and the initial MCB Minimum Conversion Price (i.e. HK\$4) represents a premium over the upper bound of the closing Share price (i.e. HK\$2.04) of the Post-Resumption Period of approximately 194.1% and 96.1% respectively; (iii) each of the initial MCB Conversion Price and the initial MCB Minimum Conversion Price represents a premium over the average closing Share price of the Post-Resumption Period of approximately 284.6% and 156.4% respectively; and (iv) each of the initial MCB Conversion Price and the initial MCB Minimum Conversion Price represents a premium over the closing Share price as at the Latest Practicable Date of 284.6% and 156.4% respectively, demonstrating favourable features to the Independent Shareholders.

Comparable Transaction analysis

To assess the fairness and reasonableness of the key terms of the Controlling Shareholder Bond, including the interest rate, conversion price and term to maturity, we have conducted independent research, of the recent proposed issue of convertible bonds/notes to both connected persons and independent third parties initially announced by companies listed on the Main Board of the Stock Exchange. We have considered the issuance of convertible bonds/notes to both connected persons and independent third parties in our research since the terms of such issuance are arrived at based on prevailing market conditions regardless of whether the subscribers are connected persons or not and represent an unbiased reference on market terms, therefore providing a decent reference in our evaluation of the terms of the Controlling Shareholder Bond. Based on the above selection criteria, we have identified a total of 22 comparable issue of convertible bonds/notes (the “**Comparable Issues**”), which was announced from 1 November 2022, being approximately six (6) months prior to the date of the Controlling Shareholder Bond Subscription Agreement (the “**Comparison Period**”), to provide a general reference for the recent market practice in relation to the key terms of the convertible bonds/notes under similar market condition. We consider that the Comparison Period is appropriate since it provided, in our opinion, a reasonable and meaningful number of samples for our analysis purpose and the Comparable Issues as a whole provides a fair and representative sample.

Shareholders should note that the principal businesses, market capitalisation, profitability and financial positions of the companies in relation to the Comparable Issues may not be similar to those of the Company, and we have not conducted any in-depth investigation into respective businesses and operations of such companies. As the Comparable Issues can provide a general reference of the key terms for similar transactions in Hong Kong under the current market conditions, we consider, to the best of our knowledge and ability, that the list of Comparable Issues is exhaustive, fair and indicative during the Comparison Period in assessing the fairness and reasonableness of the key terms of the Controlling Shareholder Bond.

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Table 3: Analysis of the Comparable Issues

Date of announcement	Stock code	Name of company	Issue to connected person	Principal amount	Term to maturity (year(s))	Interest rate (%)	Premium/(discount) of conversion price over/to the average closing price of the last five (5) trading days prior to the last trading day prior to/on the date of announcement (%)	Dilution effect of public shareholders (Note 3) (%)	
28-Apr-2023	989	Hua Yin International Holdings Limited	No	HKD150,000,000	3.00	6.00	Nil	1.14	2.42
10-Apr-2023	3889	Global Sweeteners Holdings Limited	Yes	RMB120,000,000	3.00	5.00	16.30	20.20	15.23
3-Apr-2023	1991	Ta Yang Group Holdings Ltd	No	HKD39,200,000	3.00	10.00	(18.92)	(13.79)	6.49
3-Apr-2023	362	China Zenith Chemical Group Limited	No	HKD44,100,000	2.00	3.00	(10.30)	(8.30)	18.71
30-Mar-2023	164	China Baoji Technologies Holdings Limited	No	HKD20,000,000	3.00	2.00	181.25	186.26	12.04
29-Mar-2023	636	Kerry Logistics Network Limited	Yes	HKD780,000,000	Perpetual	3.30	44.17	46.55	0.36
29-Mar-2023	2708	IBO Technology Company Ltd	No	HKD92,400,000	2.00	8.00	Nil	7.39	11.43
15-Mar-2023	1566	CA Cultural Technology Group Limited	No	HKD160,940,000	3.00	Nil	(78.39)	(77.63)	78.49
10-Mar-2023	381	Kiu Hung International Holdings Limited	No	HKD30,500,000	3.00	Nil	17.31	14.66	44.82
9-Mar-2023	7	Wisdom Wealth Resources Investment Holding Group Limited	Yes	HKD100,000,000	1.00	5.62	160.4	166.5	2.18
3-Mar-2023	1580	Da Sen Holdings Group Limited	Yes	HKD9,000,000	2.00	10.00	56.25	89.39	1.40

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Date of announcement	Stock code	Name of company	Issue to connected person	Principal amount	Term to maturity (year(s))	Interest rate (%)	Premium/(discount) of conversion price over/to the average closing price of the last five (5) trading days prior to the last trading day prior to/on the date of announcement (%)	Dilution effect of public shareholders (Note 3) (%)
3-Mar-2023	1128	Wynn Macau, Limited	No	US\$600,000,000	6.00	4.50	26.80	1.80
15-Feb-2023	515	China Silver Technology Holdings Limited	No	HK\$15,262,320	3.00	8.00	3.64	15.18
10-Jan-2023	1703	Welife Technology Limited	No	HK\$44,000,000	3.00	3.00	6.67	2.20
28-Dec-2022	6616	Global New Material International Holdings Limited	No	CNH500,000,000	4.00	3.50	90.00	2.71
23-Dec-2022	842	Leoch International Technology Limited	No	HK\$91,800,000	3.00	5.50	30.80	1.07
22-Dec-2022	660	Wai Chun Bio-Technology Limited	Yes	HK\$14,000,000	3.00	NH	25.00	35.45
20-Dec-2022	527	China Ruifeng Renewable Energy Holdings Limited	No	HK\$19,540,000	3.00	7.00	17.65	42.83
16-Dec-2022	209	Winshine Science Company Limited (Note 1)	No	HK\$14,000,000	1.00	16.00	2.81	8.54
14-Dec-2022	616	Eminence Enterprise Limited	Yes	HK\$209,000,000	5.00	5.00	43.24	22.22
23-Nov-2022	823	Link Real Estate Investment Trust (Note 2)	No	HK\$3,300,000,000	5.00	4.50	16.50	NA

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Date of announcement	Stock code	Name of company	Issue to connected person	Principal amount	Term to maturity (year(s))	Interest rate (%)	Premium/(discount) of conversion price over/to the average closing price of the last five (5) trading days prior to the last trading day prior to/on the date of announcement	Dilution effect of public shareholders (Note 3) (%)
16-Nov-2022	138	CCT Fortis Holdings Limited	Yes	HK\$220,000,000	2.95	4.50	10.35	5.82
		Maximum			Perpetual	16.00	181.25	186.26
		Minimum			1.00	Nil	(78.39)	(77.63)
		Average			3.05	6.02	32.08	31.46
		Median			3.00	5.00	17.48	15.02
		The Controlling Shareholder Bond Issue	Yes		5.00	Nil	initial MCB Conversion Price: 31.00	initial MCB Conversion Price: 27.66
							initial MCB Minimum Conversion Price: (12.66)	initial MCB Minimum Conversion Price: (14.89)

Source: website of the Stock Exchange

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Notes:

1. *As stated in the announcement of Winshine Science Company Limited (stock code: 209), the maturity date of the relevant convertible bonds is 31 December 2023.*
2. *According to the announcement of Link Real Estate Investment Trust (stock code: 823), it did not disclose the relevant information in relation to the shareholding percentage of the public unitholders, the other unitholders as stated in the announcement includes the independent subscribers for the convertible bonds and the other public unitholders.*
3. *The dilution effect of the public shareholders is calculated based on the shareholding percentage of the public shareholders as at the date of the relevant announcement minus the shareholding percentage of the public shareholders assuming full conversion of the relevant convertible bonds/notes.*

Interest rate

As shown in the table above, we note that the interest rates of the Comparable Issues ranged from nil to 16.00% per annum, with an average interest rate of approximately 6.02% per annum and a median interest rate of 5.00% per annum. As the Controlling Shareholder Bond will not bear any interest (i.e. zero-coupon), we consider that it is a favourable term to the Company.

Term to maturity

The terms to maturity of the Comparable Issues ranged from 1.00 year to perpetual with no maturity date, with an average term of approximately 3.05 years and a median term of 3.00 years. The maturity/principal repayment of the Controlling Shareholder Bond is 5.00 years from the Restructuring Effective Date or 30 September 2023, whichever is earlier, with the outstanding principal amount of the Controlling Shareholder Bond mandatorily converted into the Shares at maturity, which falls within such range, but above the average term of the Comparable Issues. In view of the fact that the tenure of the Controlling Shareholder Bond mirrors that of the MCB and the Controlling Shareholder Bond Issue demonstrates the Controlling Shareholder's support to the Restructuring, we consider that the term to maturity of the Controlling Shareholder Bond is justifiable, fair and reasonable.

Conversion Price

As set out in the table above, we note that the conversion price to: (i) the closing price on the last trading day prior to/on the announcements in relation to the respective Comparable Issues ranged from a premium of approximately 181.25% to a discount of approximately 78.39%, with an average and median premiums of approximately 32.08% and 17.48% respectively; and (ii) the average closing price of the last five (5) trading days prior to/on the announcements in relation to the respective Comparable Issues ranged from a premium of approximately 186.26% to a discount of approximately 77.63%, with an average and median premiums of approximately 31.46% and 15.02% respectively. As the initial MCB Conversion Price is: (a) at a premium of approximately 31.00% over the closing price per Share on the Last Trading Day; and (b) at a premium of approximately 27.66% over the average closing price per Share for the last five (5) consecutive trading days up to and including the Last Trading Day, such premiums as represented by the initial MCB Conversion Price is within the respective range and above the respective median premium of the conversion prices of the Comparable Issues. As the

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initial MCB Minimum Conversion Price is: (a) at a discount of approximately 12.66% to the closing price per Share on the Last Trading Day; and (b) at a discount of approximately 14.89% to the average closing price per Share for the last five (5) consecutive trading days up to and including the Last Trading Day, such premiums as represented by the initial MCB Minimum Conversion Price is within the respective range and above the respective median premium of the conversion prices of the Comparable Issues.

Dilution effect

In addition, we note that the dilution effect to the public shareholders of the Comparable Issues ranged from approximately 0.36% to approximately 78.49% with the average and median dilution effect of approximately 16.84% and 11.43% respectively. As stated under the section headed “7. Possible dilution effect on the shareholding interests of the other Shareholders” below, assuming (i) full conversion of the CB at the initial CB Conversion Price of HK\$20 per Share, (ii) full conversion of the MCB at the MCB Minimum Conversion Price of HK\$4 per Share (assuming MCB in the aggregate principal amount of US\$2,200,000,000 will be issued by the Company) and (iii) full conversion of the Controlling Shareholder Bond at the same conversion price of HK\$4 per Share, the shareholding interests of the other Shareholders would be diluted by approximately 30.54 percentage points, which falls within the range but above the average of the Comparable Issues.

7. Possible dilution effect on the shareholding interests of the other Shareholders

As illustrated by the shareholding table contained under the section headed “9. EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY” of the Letter from the Board, the shareholding interests of the other Shareholders (members of the public as defined in Rule 8.24 of the Listing Rules as at the Latest Practicable Date) would be diluted by approximately 30.54 percentage points assuming (i) full conversion of the CB at the initial CB Conversion Price of HK\$20 per Share, (ii) full conversion of the MCB at the MCB Minimum Conversion Price of HK\$4 per Share (assuming MCB in the aggregate principal amount of US\$2,200,000,000 will be issued by the Company) and (iii) full conversion of the Controlling Shareholder Bond at the same conversion price of HK\$4 per Share. In this regard, taking into account (i) the reasons for the Controlling Shareholder Bond Issue and its role in assisting the Group to achieve the Key Restructuring Objectives; and (ii) the terms of the Controlling Shareholder Bond Issue being fair and reasonable as demonstrated in the analysis above, we are of the view that such level of dilution to the shareholding interests of the other Shareholders is acceptable.

OPINION AND RECOMMENDATION

Having considered the abovementioned principal factors and reasons, in particular that:

- (i) the reasons for the Restructuring (including the Controlling Shareholder Bond Issue) as discussed in the section headed “Reasons for and benefits of the Possible Transactions in connection with the Restructuring (including the Controlling Shareholder Bond Issue)” above, in particular the pressing need to meet the Key Restructuring Objectives;

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- (ii) the capitalisation of the Controlling Shareholder Loan enables the Group to mitigate a substantial cash outflow, allowing the Company to retain working capital to achieve adequate financial flexibility and sufficient runway to stabilise the business and to protect the rights and interests for all stakeholders;
- (iii) the terms of the Controlling Shareholder Bond Issue are on terms not more favourable than the terms of the proposed MCB;
- (iv) both the initial MCB Conversion Price and the initial MCB Minimum Conversion Price are higher than the closing Share price on the Latest Practicable Date;
- (v) the premiums represented by the initial MCB Conversion Price are within the range but above the median of those of the Comparable Issues;
- (vi) the premiums represented by the initial MCB Minimum Conversion Price are within the range but above the median of those of the Comparable Issues;
- (vii) the interest rate and term to maturity of the Controlling Shareholder Bond Issue fall within the range of the Comparable Issues some of which contain favourable features; and
- (viii) the potential dilution effect to the shareholding interest of the other Shareholders arising from the Controlling Shareholder Bond Issue is acceptable,

we are of the view that although the entering into of the Controlling Shareholder Bond Subscription Agreement is not in the ordinary and usual course of business of the Company, the terms of the Controlling Shareholder Bond Issue and the transactions contemplated thereunder (including the grant of the Specific Mandate for the issue of the Controlling Shareholder Conversion Shares) on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution approving the Controlling Shareholder Bond Issue and the transactions contemplated thereunder (including the grant of the Specific Mandate for the issue of the Controlling Shareholder Conversion Shares) at the EGM.

Yours faithfully,
For and on behalf of
Opus Capital Limited
Cheung On Kit Andrew
Executive Director

Mr. Cheung On Kit Andrew is an Executive Director of Opus Capital Limited and is licensed under the SFO as a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activity. Mr. Cheung has over 15 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL, CB, MCB AND CONTROLLING SHAREHOLDER BOND

(a) Share Capital

Assuming there is no other change in the authorised and issued share capital of the Company since the Latest Practicable Date, the authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon the Increase in Authorised Share Capital and (A) full conversion of the CB at the initial CB Conversion Price of HK\$20 per Share, (B) full conversion of the MCB at the MCB Minimum Conversion Price of HK\$4 per Share (assuming MCB in the aggregate principal amount of US\$2,200,000,000 will be issued by the Company) and (C) full conversion of the Controlling Shareholder Bond at the same conversion price of HK\$4 per Share, in each case based on the agreed exchange rate of US\$1 = HK\$7.8, are as follows:

(i) As at the Latest Practicable Date

HK\$

Authorised capital:

<u>10,000,000,000</u>	Shares of HK\$0.1 each	<u>1,000,000,000.0</u>
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Issued and fully paid or credited as fully paid:

<u>5,448,883,911</u>	Shares of HK\$0.1 each	<u>544,888,391.1</u>
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- (ii) *Immediately upon the Increase in Authorised Share Capital and (A) full conversion of the CB at the initial CB Conversion Price of HK\$20 per Share, (B) full conversion of the MCB at the MCB Minimum Conversion Price of HK\$4 per Share (assuming MCB in the aggregate principal amount of US\$2,200,000,000 will be issued by the Company) and (C) full conversion of the Controlling Shareholder Bond at the same conversion price of HK\$4 per Share, in each case based on the agreed exchange rate of US\$1 = HK\$7.8*

HK\$

Authorised capital:

<u>15,000,000,000</u>	Shares of HK\$0.1 each	<u>1,500,000,000.0</u>
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Issued and fully paid or credited as fully paid:

<u>5,448,883,911</u>	Shares of HK\$0.1 each	<u>544,888,391.1</u>
390,000,000 (being the maximum number of CB Conversion Shares to be issued upon full conversion of the CB)	Shares of HK\$0.1 each	39,000,000.0
4,290,000,000 (being the maximum number of MCB Conversion Shares to be issued upon full conversion of the MCB)	Shares of HK\$0.1 each	429,000,000.0
877,500,000 (being the maximum number of Controlling Shareholder Conversion Shares to be issued upon full conversion of the Controlling Shareholder Bond)	Shares of HK\$0.1 each	87,750,000.0
<u>11,006,383,911</u>	Shares of HK\$0.1 each	<u>1,100,638,391.1</u>

All issued Shares rank *pari passu* in all respects with each other, including in particular, as to dividends, voting rights and return of capital.

Each of the CB Conversion Shares, MCB Conversion Shares and the Controlling Shareholder Conversion Shares to be issued upon conversion will rank *pari passu* in all respects among themselves respectively and with all Shares in issue as at the date of allotment and issue of the CB Conversion Shares, MCB Conversion Shares and the Controlling Shareholder Conversion Shares (as the case may be), including in particular, as to voting rights, return on capital and the right to any dividends or distributions made or declared on or after the date of allotment and issue of the CB Conversion Shares, MCB Conversion Shares and the Controlling Shareholder Conversion Shares (as the case may be), subject to the terms of the CB, the MCB and the Controlling Shareholder Bond (as the case may be). Each of the CB Conversion Shares, MCB Conversion Shares and the Controlling Shareholder Conversion Shares will be listed and traded on the Stock Exchange.

The Company had no outstanding convertible securities, options or warrants in issue or similar rights which confer any right to subscribe for, convert or exchange into Shares or any agreement or arrangement other than the Controlling Shareholder Bond Subscription Agreement, particulars of which are disclosed in the letter from the Board contained in this circular, as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(a) **Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) *Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company*

Name of Director	Capacity/ Nature of interest	Number of Shares held	Number of unvested Shares awarded under the share award scheme	Total	Approximate percentage of the total number of issued Shares ²
Sun Hongbin	Interest in controlled corporations ¹	2,091,329,884	–	2,091,329,884	38.38%
	Beneficial owner	19,930,000	–	19,930,000	0.37%
Wang Mengde	Beneficial owner	17,177,000	1,860,000	19,037,000	0.35%
Jing Hong	Beneficial owner	11,546,000	1,610,000	13,156,000	0.24%
	Interest of spouse	609,000	–	609,000	0.01%
Tian Qiang	Beneficial owner	6,982,000	1,570,000	8,552,000	0.16%
Huang Shuping	Beneficial owner	5,400,000	950,000	6,350,000	0.12%
Sun Kevin Zheyi	Beneficial owner	261,000	609,000	870,000	0.02%

Notes:

- These 2,091,329,884 Shares were held as to 2,042,623,884 Shares by Sunac International and 48,706,000 Shares by Tianjin Biaodi. The entire issued share capital of Sunac International was held by Sun family trusts, 70% of which was held by the New Family Trust and the remaining 30% was held by two original family trusts. The New Family Trust was established by Mr. Sun Hongbin in December 2018, with South Dakota Trust Company LLC as the trustee and Mr. Sun Hongbin and some of his family members as the beneficiaries. The two original family trusts were established in May and June 2018, respectively, the beneficiaries of which were family members of Mr. Sun Hongbin. All the

shares of Tianjin Biaodi were held by Mr. Sun Hongbin. In accordance with the SFO, Mr. Sun Hongbin was deemed to be interested in the aforesaid Shares.

2. Calculated on the basis of 5,448,883,911 Shares in issue as at the Latest Practicable Date.

(ii) *Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of Sunac Services, an associated corporation of the Company*

Name of Director	Capacity/ Nature of interest	Number of Sunac Services Shares held	Number of unvested Shares awarded under the Sunac Services share award scheme	Total	Approximate percentage of the total number of issued Sunac Services Shares ²
Sun Hongbin	Interest in controlled corporations ¹	2,034,842,356	–	2,034,842,356	66.57%
	Beneficial owner	916,472	550,000	1,466,472	0.05%
Wang Mengde	Beneficial owner	1,707,734	450,000	2,157,734	0.07%
Jing Hong	Beneficial owner	598,551	275,000	873,551	0.03%
	Interest of spouse	1,019,594	–	1,019,594	0.03%
Tian Qiang	Beneficial owner	1,650,321	200,000	1,850,321	0.06%
Huang Shuping	Beneficial owner	1,664,092	200,000	1,864,092	0.06%
Sun Kevin Zheyi	Beneficial owner	52,895	50,000	102,895	0.003%

Notes:

1. These 2,034,842,356 shares of Sunac Services were held as to:
 - (i) 1,540,000,000 shares of Sunac Services by Sunac Services Investment;
 - (ii) 427,553,750 shares of Sunac Services by Sunac Shine (PTC) Limited (“Sunac Shine”);
 - (iii) 65,721,489 shares of Sunac Services by Sunac International; and
 - (iv) 1,567,117 shares of Sunac Services by Tianjin Biaodi.

Sunac Services Investment is wholly owned by the Company. Sunac Shine, wholly owned by the Company, has adopted a share award scheme in respect of shares of Sunac Services and acts as a trustee of the scheme on 11 June 2021. By virtue of the SFO, the Company is deemed to be interested in the shares of Sunac Services held by Sunac Services Investment and Sunac Shine, and Mr. Sun Hongbin is deemed to be interested in these 2,034,842,356 shares of Sunac Services through the Company, Sunac International and Tianjin Biaodi.

2. Calculated on the basis of 3,056,844,000 shares in issue of Sunac Services as at the Latest Practicable Date.

Save as disclosed above, to the best knowledge of the Directors as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any other interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' interests in Shares and underlying Shares

Save as disclosed below, as at the Latest Practicable Date, the Directors and the chief executive of the Company had not been notified of any other relevant interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein:

Name of persons/ corporations	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of the total number of issued Shares ³
Sunac International	Beneficial owner ¹	2,042,623,884	37.49%
	Holder of equity derivative ²	2,179,000	0.04%
South Dakota Trust Company LLC	Trustee ¹	2,042,623,884	37.49%
	Holder of equity derivative ²	2,179,000	0.04%

Notes:

- These 2,042,623,884 Shares were held by Sunac International. 70% of the issued shares of Sunac International were held by Sunac Holdings LLC. All issued shares of Sunac Holdings LLC were held by the New Family Trust. South Dakota Trust Company LLC was the trustee of the New Family Trust. The New Family Trust was established by Mr. Sun Hongbin and Mr. Sun Hongbin and some of his family members are the beneficiaries. South Dakota Trust Company LLC was deemed to be interested in all those 2,042,623,884 Shares by virtue of the SFO.
- The Company signed a total return swap agreement with a financial institution in December 2020. As at the Latest Practicable Date, the financial institution has purchased a total of 2,179,000 Shares. According to the total return swap agreement, the financial institution may sell the Shares to the trustee of the share award scheme of the Company adopted on 8 May 2018, but will not make physical delivery of the Shares to the Company. Each of Sunac International and South Dakota Trust Company LLC, as the trustee of the New Family Trust, is deemed to have interests in the relevant Shares in the swap transaction through the Company.
- Calculated on the basis of 5,448,883,911 Shares in issue as at the Latest Practicable Date.

4. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDER

As at the Latest Practicable Date, Mr. Sun Hongbin is a director of Sunac International. Save for the foregoing, none of the Directors is a director or employee of a company which has interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. OTHER INTERESTS OF THE DIRECTORS

- (a) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2022 (the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (b) None of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Group subsisting as at the Latest Practicable Date.

7. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group, other than those businesses where the Directors of the Group were appointed as Directors to represent the interests of the Company and/or the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. EXPERT AND CONSENT

The following is the qualification of the expert who has given advice or opinion contained in this circular:

Name	Qualifications
Opus Capital Limited	a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO

Opus Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Opus Capital Limited did not have any shareholding in any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. As at the Latest Practicable Date, Opus Capital Limited did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022 (being the date to which the latest published audited financial statements of the Group were made up).

10. DOCUMENT ON DISPLAY

A copy of the Controlling Shareholder Bond Subscription Agreement will be published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.sunac.com.cn/en/investor.aspx>) for a period of not less than 14 days from the date of this circular.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

SUNac 融創中國

SUNAC CHINA HOLDINGS LIMITED

融創中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01918)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting of Sunac China Holdings Limited (the “**Company**”) will be held at the Meeting Room, 2nd Floor, No. 522, Wangjing Dongyuan, Chaoyang District, Beijing, PRC on Friday, 30 June 2023 at 10:00 a.m. or immediately after the conclusion of the annual general meeting of the Company to be held on the same day, whichever is later, for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions as ordinary resolutions of the Company.

Unless otherwise defined, capitalised terms used herein shall have the same meanings as ascribed to them in the circular of the Company dated 13 June 2023 (the “**Circular**”).

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the CB Issue and the transactions contemplated thereunder including but not limited to the issue of 1.0/2.0 per cent. convertible bonds of the Company for term of 9 years which are convertible into ordinary shares of the Company pursuant to the terms of the CB, details of which are set out in the Circular, be and are hereby generally and unconditionally approved, confirmed and ratified;
- (b) the MCB Issue and the transactions contemplated thereunder including but not limited to the issue of zero coupon convertible bonds of the Company for a term of 5 years which are convertible into ordinary shares of the Company pursuant to the terms of the MCB, details of which are set out in the Circular, be and are hereby generally and unconditionally approved, confirmed and ratified;
- (c) any one director of the Company be and is hereby authorised to do all such acts and things and sign, ratify or execute all such documents and take all such steps as the director in his/her discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the CB Issue, the MCB Issue and any of the transactions contemplated thereunder including but not limited to the issue of the CB and the issue of the MCB; and
- (d) the directors of the Company be and are hereby granted a specific mandate to exercise the powers of the Company to allot, issue and deal with the CB Conversion Shares and the MCB Conversion Shares.”

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

2. **“THAT**

- (a) the Controlling Shareholder Bond Issue and the transactions contemplated thereunder including but not limited to the issue of zero coupon convertible bonds of the Company for a term of 5 years which are convertible into ordinary shares of the Company pursuant to the terms of the Controlling Shareholder Bond, details of which are set out in the Circular, be and are hereby generally and unconditionally approved, confirmed and ratified;
- (b) any one director of the Company be and is hereby authorised to do all such acts and things and sign, ratify or execute all such documents and take all such steps as the director in his/her discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the Controlling Shareholder Bond Issue and any of the transactions contemplated thereunder including but not limited to the issue of the Controlling Shareholder Bond; and
- (c) the directors of the Company be and are hereby granted a specific mandate to exercise the powers of the Company to allot, issue and deal with the Controlling Shareholder Conversion Shares.”

3. **“THAT**

- (a) the authorised share capital of the Company be increased from HK\$1,000,000,000 divided into 10,000,000,000 shares of HK\$0.1 each (the “**Shares**”) to HK\$1,500,000,000 divided into 15,000,000,000 Shares by the creation of an additional 5,000,000,000 Shares (the “**Increase in Authorised Share Capital**”), such Shares shall rank *pari passu* in all respects; and
- (b) any one or more of the directors or the company secretary of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Increase in Authorised Share Capital.”

By order of the Board
Sunac China Holdings Limited
SUN Hongbin
Chairman

Hong Kong, 13 June 2023

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Registered Office:

One Nexus Way
Camana Bay
Grand Cayman KY1-9005
Cayman Islands

Principal Place of Business in Hong Kong:

Room 1517, Level 15
West Exchange Tower
322 Des Voeux Road Central
Sheung Wan
Hong Kong

*Headquarters and Principal Places of
Business in the PRC:*

Beijing Office

Building 4, One Central
No. 8, Dongzhimen North Street
Dongcheng District
Beijing, The PRC
Postal code: 100007

Tianjin Office

Building 1, East Side
in Hopsca Center International
No. 278, Hongqi Road
Nankai District
Tianjin, The PRC
Postal code: 300381

Notes:

- (i) A shareholder entitled to attend and vote at the above meeting is entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/its. A proxy need not be a shareholder of the Company.
- (ii) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
- (iii) In order to be valid, a form of proxy must be deposited at the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment thereof. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish and in such event, the form of proxy shall be deemed to be revoked.

As at the date of this notice, the executive directors of the Company are Mr. Sun Hongbin, Mr. Wang Mengde, Mr. Jing Hong, Mr. Tian Qiang, Mr. Huang Shuping and Mr. Sun Kevin Zheyi; and the independent non-executive directors of the Company are Mr. Poon Chiu Kwok, Mr. Zhu Jia, Mr. Ma Lishan and Mr. Yuan Zhigang.