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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)

DISCLOSEABLE TRANSACTION
DISPOSAL OF 51% EQUITY INTEREST IN THE TARGET COMPANY
WITH A REPURCHASE OPTION

THE DISPOSAL

On 3 January 2023, Shenzhen Sunac Culture & Tourism (an indirect wholly-owned subsidiary of the Company), Zhuhai Huafa and the Target Company entered into the Agreement, pursuant to which, Shenzhen Sunac Culture & Tourism agreed to sell, and Zhuhai Huafa agreed to acquire, 51% equity interest in the Target Company and the Debts at an aggregate consideration of approximately RMB3.58 billion.

Pursuant to the Agreement, Shenzhen Sunac Culture & Tourism has the option to repurchase the 51% equity interest in the Target Company and the Debts before 23 November 2025. The repurchase consideration will be determined based on the Consideration, taking into account the relevant capital contribution of Zhuhai Huafa during the period after the disposal of Shenzhen Sunac Culture & Tourism's equity interest in the Target Company.

The net proceeds from the Disposal will be mainly used to repay the Group's loan obtained for financing the acquisition of the Target Project at that time (aggregate principal and interest amounting to approximately RMB2.094 billion) and to release the existing guarantee provided by the Company for such financing, thereby reducing the overall debt size and debt pressure of the Group.

Upon Completion, Zhuhai Huafa shall provide a shareholder loan to the Target Company to pay the Outstanding Land Premium of the Target Land in the amount of RMB6.355 billion in full to the relevant government authorities.

Pursuant to the Agreement, Shenzhen Sunac Culture & Tourism and Zhuhai Huafa or their respective designated related parties will, in accordance with the "one-share, one-vote" principle, establish a joint venture for the development, construction and sales of the Target Land (excluding the school and the Talent Housing Land), and establish a joint venture for the operation and management of the ice and snow project and the hotel project on the Target Land.

The Target Company holds the Target Land in Bao'an District, Shenzhen and is principally engaged in the development and construction of the Target Land. Before Completion, Shenzhen Sunac Culture & Tourism and Zhuhai Huafa held 51% and 49% interests in the Target Company, respectively. Immediately after Completion, the Group has ceased to hold any interest in the Target Company and accordingly, the Target Company has ceased to be a subsidiary of the Company, and the financial results of the Target Company have ceased to be consolidated in the consolidated financial statements of the Company.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

1. THE DISPOSAL

On 3 January 2023, Shenzhen Sunac Culture & Tourism (an indirect wholly-owned subsidiary of the Company), Zhuhai Huafa and the Target Company entered into the Agreement, pursuant to which, Shenzhen Sunac Culture & Tourism agreed to sell, and Zhuhai Huafa agreed to acquire, 51% equity interest in the Target Company and the Debts at an aggregate consideration of approximately RMB3.58 billion.

The Consideration will be satisfied as follows:

- (i) Upon Completion and after completion of the industrial and commercial registration of the transfer of the 51% equity interest in the Target Company (subject to the Target Company's completion of the filing and registration of equity interest transfer and its acquisition of the new business license), Zhuhai Huafa or its related party shall pay the first instalment of the Consideration in the amount of RMB2,094,068,240.00 in cash to the account for receipt designated by Shenzhen Sunac Culture & Tourism by 5 January 2023; and
- (ii) Shenzhen Sunac Culture & Tourism or its designated purchaser shall select and acquire certain unsold properties of the Target Company at cost to the extent of the balance of the Consideration (after deducting all outstanding amount payable by Shenzhen Sunac Culture & Tourism under the Agreement) from Zhuhai Huafa within 60 working days from the date of the expiry of the three-year period after completion of industrial and commercial registration of the transfer of the 51% equity interest in the Target Company. The balance of the Consideration payable by Zhuhai Huafa (after deducting all outstanding amount payable by Shenzhen Sunac Culture & Tourism under the Agreement) shall be offset by the acquisition price of the aforesaid unsold properties, the details of which are subject to the separate agreement to be entered into by both parties.

The Consideration was determined after arm's length negotiations between the parties with reference to (i) the appraised value of the Target Company's total shareholder equity by a professional third party valuation agency using asset-based method (amounting to approximately RMB7.0 billion as of 30 November 2022) and the percentage of equity interest in the Target Company to be transferred; and (ii) the aggregate amount of the outstanding principal and interests of the shareholder loan of RMB11,902,437.16 owed by the Target Company to Shenzhen Sunac Culture & Tourism as at 8 December 2022.

Shenzhen Sunac Culture & Tourism shall transfer the Target Company's seal, certificates, and financial and business information to Zhuhai Huafa on the effective date of the Agreement, and cooperate in the procedures such as signing the documents required for the change of industrial and commercial registration of the 51% equity interest in the Target Company. The date of completion of the foregoing matters shall be the date of Completion. As of the date of this announcement, Completion has taken place.

Upon Completion, Zhuhai Huafa shall provide a shareholder loan to the Target Company to pay the Outstanding Land Premium of the Target Land in the amount of RMB6.355 billion in full to the relevant government authorities.

Pursuant to the Agreement, Shenzhen Sunac Culture & Tourism and Zhuhai Huafa or their respective designated related parties will, in accordance with the "one-share, one-vote" principle, establish a joint venture for the development, construction and sales of the Target Land (excluding the school and the Talent Housing Land), and establish a joint venture for the operation and management of the ice and snow project and the hotel project on the Target Land.

Pursuant to the Agreement, Shenzhen Sunac Culture & Tourism has the option to repurchase the 51% equity interest in the Target Company and the Debts before 23 November 2025. The repurchase consideration will be determined based on the Consideration, taking into account the relevant capital contribution of Zhuhai Huafa during the period after the disposal of Shenzhen Sunac Culture & Tourism's equity interest in the Target Company.

Pursuant to the Agreement, the Company and Sunac Real Estate Group Co., Ltd. (融創房地產集團有限公司, an indirect wholly-owned subsidiary of the Company) would guarantee the performance of the obligations of Shenzhen Sunac Culture & Tourism under the Agreement.

2. FINANCIAL EFFECT OF THE DISPOSAL

Immediately after Completion, the Group has ceased to hold any interest in the Target Company and accordingly, the Target Company has ceased to be a subsidiary of the Company, and the financial results of the Target Company have ceased to be consolidated in the consolidated financial statements of the Company.

The Group expects to record an unaudited loss before taxation of approximately RMB0.51 billion in respect of the Disposal, which is calculated with reference to the Consideration, the unaudited net assets of the Target Company as at 30 June 2022 and the relevant land premium late payment fees, etc. without taking into account the fair value of the repurchase option of Shenzhen Sunac Culture & Tourism. Since the Group enjoys the right to repurchase the 51% equity interest in the Target Project, it is possible to share the future appreciation value of the Target Project by exercising the repurchase option to make up for the loss of the current Disposal. The actual loss of the Disposal is subject to review by the Company's auditors.

3. REASONS FOR AND BENEFITS OF THE DISPOSAL AND THE USE OF PROCEEDS

The Target Project is located in the Shenzhen World Exhibition & Convention Center in the Greater Airport Area, Bao'an District, Shenzhen, which is close to the comprehensive port area of Bao'an and Bao'an International Airport, and is connected to a number of major highways and urban rails on the east and west banks of the Pearl River Delta. The three-dimensional comprehensive transportation radiates the whole Guangdong-Hong Kong-Macao Greater Bay Area, gathers people and logistics, and enjoys significant regional advantages. The Target Project is an ice and snow cultural and tourism complex project, comprising diversified businesses such as residential properties, ice and snow park, commercial properties, hotel and office buildings. With a plot ratio-based gross floor area of approximately 1.31 million sq.m., it is expected to be built into "the polar region of the Bay Area, the ice city of the world", a new name card of Shenzhen's leisure and vacation tourism, with great development potential.

The Directors consider that as the Target Project is currently at the early stage of development and requires relatively large capital investment in the future, the completion of the Disposal at this stage will facilitate the resumption of normal development, construction and operation of the Target Project, thus realizing the future value of the Target Project and reducing the Group's capital commitment in respect of the Target Project, thereby reducing the Group's current capital pressure. In addition, the Group continues to be optimistic about the development potential of the Target Project, retains the right to repurchase the 51% equity interest in the Target Company, and can continue to enjoy the potential value of the Target Project through repurchase in the future. The repurchase consideration will be determined based on the Consideration, taking into account the relevant capital contribution of Zhuhai Huafa during the period after the disposal of Shenzhen Sunac Culture & Tourism's equity interest in the Target Company. Moreover, the Group and Zhuhai Huafa will participate in the development, construction, sales and operation of the Target Project through a joint venture, which will help enhance the brand influence of the Group in the Greater Bay Area and Shenzhen.

The net proceeds from the Disposal will be mainly used to repay the Group's loan obtained for financing the acquisition of the Target Project at that time (aggregate principal and interest amounting to approximately RMB2.094 billion) and to release the existing guarantee provided by the Company for such financing, thereby reducing the overall debt size and debt pressure of the Group.

The Directors consider that the Disposal was conducted on normal commercial terms, which was fair and reasonable and was in the interests of the Company and its stakeholders as a whole.

4. INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability on 6 November 2020 by Shenzhen Sunac Culture & Tourism and Zhuhai Huafa with a registered capital of RMB7.0 billion (paid up). The Target Company holds the Target Land with a plot ratio-based gross floor area of approximately 1.31 million sq.m. in Bao'an District, Shenzhen and is principally engaged in the development and construction of the Target Land. Before Completion, Shenzhen Sunac Culture & Tourism and Zhuhai Huafa held 51% and 49% interests in the Target Company, respectively.

The unaudited consolidated net asset of the Target Company as at 30 June 2022 was approximately RMB6.96 billion and the profits of the Target Company for the two years ended 31 December 2021 were as follows:

	For the year ended 31 December 2021 <i>(RMB million)</i>	For the year ended 31 December 2020 <i>(RMB million)</i>
Loss before taxation	39	–
Loss after taxation	30	–

5. INFORMATION ON THE PARTIES TO THE DISPOSAL

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 and becoming the “Co-builder of a Better City” in China 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 Sunac Real Estate, Sunac Services, Sunac Culture & Tourism, Sunac Culture and other business segments. After 19 years of development, the Group has become a leading enterprise in China's real estate industry, and a leading culture and tourism industry operator and property owner in China, with nationwide leading capabilities in comprehensive urban development and integrated industrial operation.

Shenzhen Sunac Culture & Tourism is a company incorporated in the PRC with limited liability and is principally engaged in the development and construction of cultural and tourism projects, etc. As at the date of this announcement, Shenzhen Sunac Culture & Tourism is indirectly wholly-owned by the Company.

According to the information provided by Zhuhai Huafa, Zhuhai Huafa is a company incorporated in the PRC with limited liability and is principally engaged in the development and construction of real estate. As at the date of this announcement, the beneficial owner of Zhuhai Huafa is the State-owned Assets Supervision and Administration Commission of Zhuhai Municipal People's Government* (珠海市人民政府國有資產監督管理委員會).

6. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

In addition, pursuant to Rule 14A.09 of the Listing Rules, as the Target Company is an insignificant subsidiary of the Company as at the date of this announcement, Zhuhai Huafa, being a substantial shareholder of the Target Company, is not a connected person of the Company. Therefore, the Disposal does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

7. CONTINUED SUSPENSION OF TRADING

References are made to the announcements of the Company dated 28 March 2022 and 1 April 2022. At the request of the Company, the trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2022. Trading in the shares of the Company will remain suspended until further notice.

Holders of securities and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

8. DEFINITIONS

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

“Agreement”	the agreement dated 3 January 2023 entered into among Shenzhen Sunac Culture & Tourism, Zhuhai Huafa and the Target Company in respect of the Disposal, as supplemented and amended from time to time
“Board”	the board of Directors
“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)
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration of the Disposal
“Debts”	the total amount of the outstanding principal and interests of the shareholder loan owed by the Target Company to Shenzhen Sunac Culture & Tourism at Completion
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 51% equity interest in the Target Company and the Debts by Shenzhen Sunac Culture & Tourism to Zhuhai Huafa pursuant to the Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Outstanding Land Premium of the Target Land”	the outstanding land premium in the amount of RMB6.355 billion as of the date of the Agreement (the total land premium for the grant of land use rights of the Target Land amounted to RMB12.71 billion)
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“Shenzhen Sunac Culture & Tourism”	Shenzhen Sunac Culture & Tourism Industry Development Group Co., Ltd.* (深圳融創文旅產業發展集團有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Talent Housing Land”	the Target Land is divided into two parts: the Talent Housing Land and other land, where the Talent Housing Land refers to land for residential use (saleable talent housing), residential supporting commercial use and corresponding public supporting facilities; other land refers to the part of the Target Land other than the Talent Housing Land
“Target Company”	Shenzhen Ronghua Land Investment Co., Ltd.* (深圳融華置地投資有限公司), a company incorporated in the PRC with limited liability
“Target Land”	a parcel of land located in Bao’an District, Shenzhen held by the Target Company
“Target Project”	the development project on the Target Land (comprising residential properties, commercial properties, hotel and ice and snow park, etc.)
“Zhuhai Huafa”	Zhuhai Huafa Property Development Co., Ltd.* (珠海華發房地產開發有限公司), a company incorporated in the PRC with limited liability
“%”	per cent

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

Hong Kong, 3 January 2023

As at the date of this announcement, the executive directors of the Company are Mr. SUN Hongbin, Mr. WANG Mengde, Mr. JING Hong, Mr. TIAN Qiang, Mr. CHI Xun, Mr. HUANG Shuping, Mr. SUN Kevin Zheyi and Mr. SHANG Yu; and the independent non-executive directors of the Company are Mr. POON Chiu Kwok, Mr. ZHU Jia, Mr. MA Lishan and Mr. YUAN Zhigang.

* For identification purpose only