



22 August 2025

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

Dear Sir or Madam,

CONNECTED TRANSACTION – ISSUE OF MANDATORY CONVERTIBLE BONDS TO SUBSTANTIAL SHAREHOLDER

INTRODUCTION

We, Ignite Capital (Asia Pacific) Limited (“**Ignite Capital**”), refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Connected MCB Issue and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 22 August 2025 (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 the context requires otherwise.

Reference is made to the announcement of the Company dated 17 April 2025 in relation to the Restructuring, the Company proposed to implement the Restructuring through the Scheme. Reference is also made to the Announcement in relation to, among others, the Connected MCB Issue.

The scope of the Restructuring includes offshore debts issued or guaranteed by the Company, with estimated debt claims (including principal and accrued and unpaid interest, but excluding default interest) (i.e. the Scheme Creditors’ Claims) of US\$9,552,284,577.95 in aggregate as of 30 June 2025, subject to review and determination by the Scheme administrator. The Restructuring will involve release of the Company’s indebtedness as well as certain obligations of other entities in the Group.

In consideration for the cancellation of the Existing Debt and the release of the relevant claims in connection with the Existing Debt, subject to the arrangement set out in the paragraph headed “The Shareholding Structure Stability Arrangement” below, two series of MCBs will be distributed to the Scheme Creditors as Restructuring Consideration.

MCB 1 and MCB 2 together shall have an aggregate principal amount equal to the total amount of all Scheme Creditors' Claims. Subject to the terms of the Restructuring and to the extent permitted by applicable laws and regulations, Scheme Creditors may elect for MCB 1, MCB 2, or a combination of MCB 1 and MCB 2, subject to the Election and Allocation Mechanism as set out under the section headed "2. BACKGROUND AND KEY FEATURES OF THE RESTRUCTURING" in the Letter from the Board.

THE CONNECTED MCB ISSUE

(a) Issue of MCBs to Sunac International as a Scheme Creditor

As at the Latest Practicable Date, Sunac International, a substantial shareholder of the Company which holds approximately 23.31% of the total issued share capital of the Company, was the holder of the Sunac International MCB, being one of the Existing Debt. Therefore, similar to other holders of the Existing Debt, subject to the Election and Allocation Mechanism, the Sunac International MCB held by Sunac International will be exchanged into MCBs in the Restructuring. As at the Latest Practicable Date, the aggregate principal amount of the Sunac International MCB outstanding was US\$15,812,060.00. It is estimated that Sunac International, as a Scheme Creditor, may be issued MCBs in the principal amount of up to US\$15,812,060.00.

Sunac International will not be receiving any Consent Fees under the Scheme.

(b) Issue of MCBs to Mr. Sun or his designated person(s) under the Shareholding Structure Stability Arrangement

23% of the MCBs (comprising the MCB 1 and the MCB 2) attributable to the Scheme Creditors as Restructuring Consideration will be used for the Shareholding Structure Stability Arrangement.

To 1) maintain a stable shareholding structure, 2) ensure the continued contribution of Mr. Sun to the Group's ongoing home delivery program, debt risk resolution and long-term business recovery, and 3) strengthen stakeholder confidence and better facilitate resource integration, conditional restricted shares (the "**Restricted Shares**") are proposed to be allocated to the Substantial Shareholder or his designated person(s) as part of the Restructuring. This would enable Mr. Sun and/or his designated persons to retain a certain shareholding level. Specifically, for every US\$100 in principal amount of MCBs attributable to the Scheme Creditors (other than those attributable to Sunac International), US\$23 out of those MCBs (the "**Relevant New MCBs**") will instead be issued to Mr. Sun or his designated person(s) (the "**Designee(s)**").

On the basis of the Maximum Scheme Creditors' Claims, it is estimated that Mr. Sun and/or the Designee(s) may be issued additional MCBs in principal amount of up to US\$2,215,863,226.20 as a result of the Shareholding Structure Stability Arrangement.

Total amount of MCBs to be issued to Sunac International and/or Mr. Sun and/or his designated person(s)

Based on the above two arrangements (namely, issue of MCBs to Sunac International as a Scheme Creditor and issue of MCBs to Mr. Sun or his designated person(s) under the Shareholding Structure Stability Arrangement), subject to the occurrence of the Restructuring Effective Date, based on the Maximum Scheme Creditors' Claims, it is estimated that Sunac International and/or Mr. Sun and/or his designated person(s) will in aggregate be issued MCBs in principal amount of up to US\$2,231,675,286.20 in the Restructuring, comprising (1) the MCBs in principal amount of up to US\$15,812,060.00 to be issued to Sunac International as a Scheme Creditor and (2) the MCBs in principal amount of up to US\$2,215,863,226.20 to be issued to Mr. Sun or his designated person(s) under the Shareholding Structure Stability Arrangement.

LISTING RULES IMPLICATIONS

Sunac International is a substantial shareholder of the Company which holds approximately 23.31% of the total issued share capital of the Company as at the Latest Practicable Date. Sunac International is controlled by family trusts of Mr. Sun, the chairman of the Board and an executive Director. Each of Sunac International and Mr. Sun is a connected person of the Company under Chapter 14A of the Listing Rules.

Accordingly, the Connected MCB Issue, comprising (1) the issue of MCBs to Sunac International as a Scheme Creditor and (2) the issue of MCBs to Mr. Sun or his designated person(s) under the Shareholding Structure Stability Arrangement, 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 Connected MCB Issue and the transactions contemplated thereunder are subject to the passing of necessary resolution by the Independent Shareholders at the EGM.

Save that Sunac International, Mr. Sun, Tianjin Biaodi and Mr. Sun Kevin Zheyi (the son of Mr. Sun), holding in aggregate approximately 23.91% of the total number of issued Shares as at the Latest Practicable Date, and being interested in the transactions contemplated under the Connected MCB Issue, shall abstain from voting for the resolution to approve the Connected MCB 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 resolutions to approve the MCB Issue (including the Connected MCB Issue) and the transactions contemplated thereunder at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. POON Chiu Kwok, Mr. ZHU Jia, Mr. MA Lishan and Mr. YUAN Zhigang, being all the independent non-executive Directors, was established to consider and to advise the Independent Shareholders on: (i) whether the Connected MCB Issue and the transactions contemplated thereunder are conducted in the

ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; (ii) whether terms of the Connected MCB Issue and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote on the relevant resolution at the EGM. Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in the same respect has been approved by the Independent Board Committee pursuant to the Rule 13.84 of the Listing Rules.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Group, Mr. Sun, Sunac International or other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to this letter, Ignite Capital has not: (i) acted in the capacity as a financial adviser or as an 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 fees paid or payable (as the case may be) to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, Mr. Sun, Sunac International or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are 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") 2024 (the **"2024 Annual Report"**);
- (ii) announcement of the Company dated 17 April 2025 in relation to the Restructuring;
- (iii) the Announcement; and
- (iv) 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 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 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 Connected MCB 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 purposes without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Information of the Parties

1.1 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 real estate development, property management, ice & snow operation management, cultural tourism, culture and other business segments.

Financial information

The following is a summary of the financial results of the Group for the FY2023 and FY2024, as extracted from the 2024 Annual Report.

Table 1: Highlights of the financial results of the Group

	FY2024 Audited (RMB'000)	FY2023 Audited (RMB'000)
Revenue	74,019,193	154,230,892
– Revenue from sales of properties	61,234,808	140,795,561
– Cultural tourism city construction and Operation income	5,208,104	5,915,164
– Property management income	6,879,019	6,600,521
– Revenue from other business	697,262	919,646
Gross profit/loss	2,892,108	(2,502,743)
Loss attributable to owners of the Company	(25,695,200)	(7,968,963)

Source: the 2024 Annual Report

Total revenue of the Group for FY2024 amounted to approximately RMB74.02 billion, representing a decrease of approximately 52.0% as compared with the total revenue of approximately RMB154.23 billion for FY2023. The decrease in revenue of the Group was mainly due to the decline in revenue from sales of properties. Revenue from sales of properties in FY2024 decreased by approximately 56.5% as compared with that for FY2023. As stated in the 2024 Annual Report, due to the continued downturn in the real estate market, the contraction in new sales and the liquidity pressure faced by the Group, property delivery area of the Group for FY2024 decreased compared to FY2023 with a corresponding reduction in property sales revenue.

The Group's gross profit for FY2024 was approximately RMB2.89 billion, representing an increase of approximately RMB5.39 billion as compared with the gross loss of approximately RMB2.50 billion for FY2023. The increase in gross profit was mainly due to the impact of the high proportion of high margin projects carried forward from the Group's property sales revenue in FY2024 and the reduction in the provision for impairment of properties recognised by the Group during FY2024 compared to FY2023.

Loss of the Group attributable to owners of the Company for FY2024 amounted approximately RMB25.70 billion, representing an increase of approximately 222.4% from approximately RMB7.97 billion in FY2023. Such increase in the loss of the Group attributable to owners of the Company in FY2024 was attributable to various factors, including, among others, (i) decrease in other income and gains of the Group mainly due to the higher restructuring income from

offshore debt recognised in FY2023; (ii) increase in finance expenses of the Group mainly due to the decrease in proportion of capitalised interests in total interest expenses in line with the develop process of the Group's property development projects as compared to that of FY2023; and (iii) share of post-tax losses of associates and joint ventures of the Group mainly due to the decrease in revenue and operating profit of the Group's joint ventures and associates and increasing provision of impairment for investment accounted for using the equity method recognised by the Group during FY2024 as compared to FY2023.

We also noted from the 2024 Annual Report that the Group recorded consecutive losses attributable to the owners of the Company for FY2021, FY2022, FY2023 and FY2024.

The following is a summary of the financial positions of the Group as at 31 December 2024 as extracted from the 2024 Annual Report:

Table 2: Highlights of the financial positions of the Group

	FY2024 Audited (RMB'000)	FY2023 Audited (RMB'000)
Non-current assets	193,416,085	219,350,288
Current assets	689,467,066	758,503,915
Non-current liabilities	84,749,731	114,822,303
Current liabilities	742,987,052	779,246,035
Equity attributable to owners of the Company	40,521,108	62,428,917

Source: the 2024 Annual Report

As at 31 December 2024, total assets and liabilities of the Group were approximately RMB882.88 billion and RMB827.74 billion respectively, as compared to total assets and liabilities of approximately RMB977.85 billion and RMB894.07 billion as at 31 December 2023 respectively, registering a decrease of approximately 9.7% and 7.4% respectively. The Group recorded a net current liability position of approximately RMB53.52 billion as at 31 December 2024. With the loss of the Group attributable to owners of the Company for FY2024 of approximately RMB25.70 billion, the equity attributable to owners of the Company decreased from approximately RMB62.43 billion as at 31 December 2023 to approximately RMB40.52 billion as at 31 December 2024, representing a decrease of approximately 35.1%.

Going concern issue and the need for the Restructuring

It was noted from the 2024 Annual Report that, while the Board has prepared the consolidated financial statements of the Group as at 31 December 2024 on a going concern basis, the Company's auditor, BDO Limited ("BDO"), has given a

disclaimer of opinion (the “**Disclaimer of Opinion**”) on the consolidated financial statements of the Group for FY2024. The basis of the Disclaimer of Opinion indicated the existence of material uncertainties which may cast significant 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 RMB27.40 billion for FY2024 and, as at 31 December 2024, the Group had net current liabilities of approximately RMB53.52 billion;
- (ii) the Group’s current and non-current borrowings amounted to approximately RMB186.09 billion and RMB73.58 billion as at 31 December 2024 respectively, while the Group had total cash (including cash and cash equivalents and restricted cash) amounting to approximately RMB19.75 billion;
- (iii) as at 31 December 2024, the Group had not repaid borrowings in principal amount of approximately RMB105.80 billion in aggregate according to their scheduled repayment dates, and as a result, borrowings in principal amount totalling of approximately RMB64.57 billion might be demanded for early repayment;
- (iv) up to the date of the 2024 Annual Report, the Group had not repaid borrowings in principal amount of approximately RMB109.35 billion in aggregate according to their scheduled repayment dates and as a result, borrowings in principal amount totalling of approximately RMB56.44 billion might be demanded for early repayment; and
- (v) the Group was involved in various litigation and arbitration cases in relation to the settlement of unpaid borrowings, outstanding construction and daily operation payables, delayed delivery of projects and other matters of the Group.

We note that it is not the first year that BDO issued a disclaimer of opinion on the consolidated financial statements of the Group. In fact, BDO issued disclaimer of opinion on the Group’s consolidated financial statements for each of FY2023, FY2022 and FY2021 under similar circumstances as the Disclaimer of Opinion.

Notably on 10 January 2025, the Company received a winding-up petition (the “**Petition**”) filed by China Cinda (HK) Asset Management Co., Limited (the “**Petitioner**”) at the High Court of Hong Kong (the “**High Court**”) in relation to the non-repayment of the loan to the Petitioner as lender by Shining Delight Investment Limited (an indirect wholly owned subsidiary of the Company) as borrower and the Company as guarantor, in the aggregate principal amount of US\$30,000,000 and accrued interests. On 20 August 2025, the High Court has vacated the hearing of the Petition scheduled on 25 August 2025 and has adjourned the hearing for the Petition to 5 January 2026.

Based on the above, we note that the Company is facing pressure on its working capital and liquidity positions. The above challenging conditions may cast doubt on the Group's ability to continue as a going concern.

1.2 Sunac International and Mr. Sun

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

2. Reasons for and benefits of the Connected MCB Issue

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 more than 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.

Overview of the Group's financial situation

As at 31 December 2024, the Group had borrowings of approximately RMB259.67 billion (of which approximately RMB73.58 billion were classified as non-current borrowings and approximately RMB186.09 billion were classified as current borrowings). The borrowings of the Group mainly comprised bank and other institution borrowings, senior notes, corporate bonds, private domestic corporate bonds and convertible bonds. Further details of the indebtedness situation of the Group as at 31 December 2024 are set out in the 2024 Annual Report.

As at 31 December 2024, the Group had not repaid borrowings in principal amount of approximately RMB105.80 billion in aggregate according to their scheduled repayment dates, and as a result, borrowings in principal amount totaling of approximately RMB64.57 billion might be demanded for early repayment (the “**Overdue and Early Repayment Borrowings**”).

The table below sets out the borrowings of the Company as at 31 December 2024

	As at 31 December 2024 <i>RMB (billion)</i>
Non-current borrowings	73.58
Current borrowings	186.09
Total borrowings	259.67

The Restructuring

In light of the impact of the Petition, and the fact that current industry conditions have significantly fallen short of expectations at the time when the previous offshore debt restructuring plan was formulated, the Company, over the past few months, 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, and has maintained constructive dialogue with offshore creditors, with a view to formulating a viable holistic offshore debt solution to completely address the offshore debt risks, establishing a sustainable capital structure and stable operating environment to support its long-term business recovery. On 17 April 2025, the Company reached agreement with the Initial Consenting Creditors on the terms of the Restructuring.

The Restructuring aims to provide a fair and equitable solution that maximizes recovery for creditors, while preserving the Group's ability to operate as a going concern and creating a win-win outcome for all stakeholders. Specifically, the Restructuring will (a) provide Scheme Creditors with the opportunity to convert their debt into equity, allowing them to benefit from near-term liquidity and potential equity upside; (b) completely address the Group's offshore debt risks and establish a sustainable capital structure (the "**Key Restructuring Objectives**"). As mentioned above, the Restructuring seeks to address the Existing Debt. 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 offshore debts of the Company.

Through the payment of the Consent Fees by the issue of the MCB 1, less cash flow pressure will be created on the Group while more Scheme Creditors can be incentivized to support the Scheme. Although the relative shareholding in the Company of the existing Shareholders would be diluted as a result of the conversion of the MCBs, the Board is of the view that it would be in the best interest of the Company and the Shareholders as a whole if the liquidity of the Group would be significantly improved as a result of the completion of the Restructuring.

The Restructuring will be implemented through the Scheme. Upon the occurrence of the Restructuring Effective Date, 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 MCB Issue. All proceeds from the MCB Issue will be applied towards the satisfaction of part of the Restructuring Consideration, thereby reducing the overall debt size and debt pressure of the Group, enhancing its net asset value and significantly improving the financial position. The exchange of the relevant debts of the Group into MCBs will greatly improve the liquidity of the Company. The MCB Issue would also increase the capital base through the issue of Shares and help the Company achieve a sustainable capital structure with substantially reduced offshore debts risks. In addition, the issue of MCBs to the Substantial Shareholder or his designated person(s) under the Shareholding Structure Stability Arrangement would assist the Company in maintaining a stable shareholding structure, ensure the continued contribution of Mr. Sun to the Group's ongoing home delivery program, debt risk resolution and long-term business recovery and strengthen stakeholder confidence and better facilitate resource integration.

In relation to the Disclaimer of Opinion, it is noted from the independent auditor's report under the 2024 Annual Report 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 Connected MCB Issue and the Shareholding Structure Stability Arrangement form 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 (i) the consecutive losses of the Group attributable to the owners of the Company for FY2021, FY2022, FY2023 and FY2024; (ii) the net current liability position of the Group as at 31 December 2024 of approximately RMB53.52 billion; (iii) the current borrowings of the Group as at 31 December 2024 of approximately RMB186.09 billion are due within one year; (iii) the substantial amount of the Overdue and Early Repayment Borrowings, with the pressing need to move forward to achieve the Key Restructuring Objectives; (iv) according to the 2024 Annual Report that, the Board has prepared the consolidated financial statements of the Group as at 31 December 2024 on a going concern basis and BDO has given Disclaimer of Opinion on the consolidated financial statements of the Group for FY2024; (v) together with the Petition, the Company is facing pressure on its working capital and liquidity positions; and (vi) the Restructuring is crucial for the Group to achieve a sustainable capital structure with substantially reduced offshore debts and insolvency risks, stable shareholding structure, stable workforce, and stable operating environment to support its long-term business recovery, we are therefore of the view that the Connected MCB Issue and the transactions contemplated thereunder as part of the Restructuring, though not conducted in the ordinary and usual 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.

3. Principal terms of the MCBs

Subject to the terms of the Restructuring, two series of MCBs will be distributed to the Scheme Creditors, namely MCB 1 and MCB 2. Set out below are the principal terms of the MCBs as extracted from the Letter from the Board under the section headed “3. ISSUE OF MCBS UNDER SPECIFIC MANDATE”:

Issuer: The Company

Principal amount: Up to US\$9,710,670,612.75 (being the sum of 100% of the Maximum Scheme Creditors’ Claims and the Early Consent Fee and the Base Consent Fee) in principal amount of MCB 1; and up to US\$2,412,500,000 (being 25% of the Maximum Scheme Creditors’ Claims) in principal amount of MCB 2.

(a) As Restructuring Consideration to Scheme Creditors

In respect of MCB 1, no less than 75% of the Scheme Creditors’ Claims.

In respect of MCB 2, no more than 25% of the Scheme Creditors’ Claims.

Assuming that none of the Scheme Creditors will elect for MCB 2, all the Scheme Creditors will receive MCB 1 by default. In this case, the principal amount of the MCB 1 to be issued would be up to US\$9,650,000,000, representing 100% of the Maximum Scheme Creditors’ Claims, and no MCB 2 will be issued.

Assuming that Scheme Creditors’ elections for MCB 2 are not less than the Cap, MCB 2 will be issued on the Restructuring Effective Date in an aggregate principal amount equal to the Cap. In this case, the principal amount of the MCB 1 to be issued would be up to approximately US\$7,237,500,000.00, representing 75% of the Maximum Scheme Creditors’ Claims, and the principal amount of the MCB 2 to be issued would be up to approximately US\$2,412,500,000, representing 25% of the Maximum Scheme Creditors’ Claims.

(b) As Consent Fee (MCB 1 only)

The Early Consent Fee and the Base Consent Fee shall be payable in the form of the MCB 1 at face value on or prior to the Restructuring Effective Date, provided that the relevant terms of the RSA are complied with.

Scheme Creditors holding Existing Debt in principal amount of US\$5,579,064,062.86 have acceded to the RSA on or before the Early Consent Fee Deadline.

Assuming that such Consenting Creditors will have complied with the relevant terms of the RSA and will receive the Early Consent Fee in an amount equal to 1.0% of the aggregate principal amount of the Eligible Restricted Debt held by such Consenting Creditor as of the Early Consent Fee Deadline, Early Consent Fee, being MCB 1 in principal amount of US\$55,790,640.63, will be issued.

Scheme Creditors holding Existing Debt in additional principal amount of US\$975,994,424.32 have acceded to the RSA after the Early Consent Fee Deadline but on or before the Base Consent Fee Deadline.

Assuming that such Scheme Creditors will have complied with the relevant terms of the RSA and will receive the Base Consent Fee in an amount equal to 0.5% of the aggregate principal amount of the Eligible Restricted Debt held by such Consenting Creditor as of the Base Consent Fee Deadline, Base Consent Fee, being MCB 1 in principal amount of US\$4,879,972.12 will be issued.

Issue date:

Restructuring Effective Date

Maturity:

In respect of MCB 1, the date falling six months from the issue date, with the outstanding principal amount of the MCB 1 mandatorily converted into the Shares at maturity, subject to the terms and conditions of the MCB 1.

In respect of MCB 2, the date falling thirty months from the earlier of 31 December 2025 and the issue date, with the outstanding principal amount of the MCB 2 mandatorily converted into the Shares at maturity, subject to the terms and conditions of the MCB 2.

Interest: The MCBs are not interest bearing.

Conversion events/period: (a) **Ordinary Conversion:**

MCB 1:

At any time before the date falling twenty (20) business days prior to the maturity date, any holder of the MCB 1 may deliver a conversion notice to convert all or part of the MCB 1 it holds into Shares at the MCB 1 Conversion Price.

MCB 2:

During the period after (and including) the date falling 18 months after the earlier of 31 December 2025 and the Restructuring Effective Date and before the date falling 20 business days prior to the maturity date, any holder of the MCB 2 may deliver a notice in respect of all or part of the MCB 2 it holds into Shares at the MCB 2 Conversion Price.

During the period after (and including) the Restructuring Effective Date to (and excluding) the date falling 18 months after the earlier of 31 December 2025 and the Restructuring Effective Date, the Company may, at its sole discretion and by giving prior notice to all holders of the MCB 2, on one or more occasions, declare that all or up to a specified amount of the MCB 2 may be converted into Shares at the option of any holder of the MCB 2, in which case any holder of the MCB 2 may deliver a conversion notice in respect of all or part of the MCB 2 it holds into Shares. In case only up to a specified amount of the MCB 2 (but not all of the MCB 2) are declared by the Company to be convertible, the MCB 2 shall be converted on a first-come-first served basis according to the conversion date (as defined in the terms and conditions of the MCB 2) of each conversion. Sunac International has notified the Company that, in the event that only up to a specified amount of the MCB 2 (but not all of the MCB 2) are declared by the Company to be convertible, Sunac International agrees to defer its conversion after all the other converting holders' conversion requests have been fulfilled, and in the event that the amount of MCB 2 of all the converting holders exceeds such specified amount, Sunac International's conversion request will not be processed at all.

(b) Maturity Mandatory Conversion:

All remaining MCBs outstanding as of the date falling 20 business days prior to the maturity date shall be mandatorily converted into Shares at the applicable maturity date, provided that if any of the below events has occurred and is continuing at any time during the period from and including the record date set out in the terms and conditions of the relevant MCB, and (in the case of event in paragraph (iv) only) (1) the trustee, if so requested in writing by the holders of not less than 10 per cent. in principal amount of the relevant MCB then outstanding with a total outstanding principal amount of no less than US\$200,000,000 or (2) holder(s) of not less than 10 per cent. in principal amount of the relevant MCB then outstanding with a total outstanding principal amount of no less than US\$200,000,000, have given notice in writing to the Company electing the suspension of the mandatory conversion of the relevant MCB, then the relevant MCB held by all holders shall not be so mandatorily converted into Shares:

- (i) winding up order granted against the Company;
- (ii) delisting of the Company's shares;
- (iii) suspension of trading of the Company's shares as set out in the terms of the relevant MCB; and
- (iv) failure to deliver MCB Conversion Shares subject to the terms and conditions of the relevant MCB,

provided that no notice in writing has been given to the Company that the relevant MCB have become due and payable pursuant to the terms and conditions of the relevant MCB and upon all event(s) above ceasing to be continuing, the mandatory conversion shall be resumed in accordance with the terms and conditions of the relevant MCB.

(c) Early Mandatory Conversion:

Notwithstanding anything to the contrary in the terms and conditions of the relevant MCB, at any time after the total principal amount of MCB 1 outstanding is less than US\$500,000,000 (in respect of MCB 1) or US\$250,000,000 (in respect of MCB 2), the Company may deliver a mandatory conversion notification and all remaining MCB 1 or MCB 2 (as applicable) outstanding shall be mandatorily converted into Shares on the date specified by the Company, subject to the terms and conditions of the relevant MCB.

(d) Accelerated Conversion (for MCB 2 only):

Under the MCB 2, the accelerated conversion events are:

- incurrence of any new debts by the Company after the Restructuring Effective Date, other than normal operating expenses incurred in the ordinary course of business;
- breach of other obligations under MCB 2;
- cross acceleration, judgement/involuntary proceeding/voluntary proceeding in respect of the Company and the Subsidiary Guarantors (with relevant carve outs as set out in the terms of the MCB 2);
- except as permitted under the trust deed relating to the MCB 2, any Guarantee becomes unenforceable or invalid or shall for any reason cease to be in full force and effect with respect to any Subsidiary Guarantor, or is claimed to be unenforceable, invalid or not in full force and effect by any Subsidiary Guarantor;
- except as permitted under the Trust Deed, any security document becomes unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by any Subsidiary Guarantor Pledgor or the Company;

- winding up order granted against the Company;
- delisting of the Company's shares;
- suspension of trading of the Company's shares as set out in the section headed "Payment acceleration events" below terms of the MCB 2; and
- failure to deliver MCB Conversion Shares subject to the terms and conditions of the MCB 2.

Upon the occurrence of any of the accelerated conversion events, the MCB 2 will become convertible subject to the terms of the MCB 2.

Restriction on conversion:

A conversion right may not be exercised in respect of the MCBs where the Company has already exercised its right, by delivering or depositing the relevant redemption / repurchase notice, to redeem or repurchase such MCBs in accordance with the terms and conditions of the MCBs, provided that this restriction on exercise of conversion right shall cease to apply if the Company fails to redeem or repurchase such MCBs in accordance with the relevant redemption / repurchase notice.

Conversion price:

MCB 1

Subject to the terms and conditions of the MCB 1, the MCB 1 Conversion Price is initially HK\$6.80 per Share, which may be adjusted upon the occurrence of the adjustment events set out in the paragraph headed "Adjustment events" below.

The initial MCB 1 Conversion Price of HK\$6.80 per Share represents:

- a premium of approximately 330.38% over the closing price of HK\$1.58 per Share (the "**RSA Closing Price**") as quoted on the Stock Exchange on 17 April 2025, being the date of the signing of the RSA (the "**RSA Date**");

- (b) a premium of approximately 341.56% over the closing price of HK\$1.54 per Share as quoted on the Stock Exchange on the Latest Practicable Date (the “**LPD Closing Price**”); and
- (c) a premium of approximately 352.13% over the average closing price of HK\$1.504 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately preceding the Latest Practicable Date.

MCB 2

Subject to the terms and conditions of the MCB 2, the MCB 2 Conversion Price is initially HK\$3.85 per Share, which may be adjusted upon the occurrence of the adjustment events set out in the paragraph headed “Adjustment events” below.

The initial MCB 2 Conversion Price of HK\$3.85 per Share represents:

- (a) a premium of approximately 143.67% over the RSA Closing Price of HK\$1.58 per Share;
- (b) a premium of approximately 150.00% over the LPD Closing Price of HK\$1.54 per Share; and
- (c) a premium of approximately 155.98% over the average closing price of HK\$1.504 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately preceding the Latest Practicable Date.

Each of the MCB 1 Conversion Price and the MCB 2 Conversion Price was determined after arms’ length negotiations between the Company and the Initial Consenting Creditors 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. Each of the initial MCB 1 Conversion Price of HK\$6.80 per Share and the initial MCB 2 Conversion Price of HK\$3.85 per Share is at a premium to the RSA Closing Price of HK\$1.58 per Share.

Adjustment events:

Subject to the terms of the MCBs, each of the MCB 1 Conversion Price and the MCB 2 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 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 1 or (ii) Shares issued on the exercise of conversion rights attaching to the MCB 2) 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.

Notwithstanding anything to the contrary in the terms and conditions of the MCBs, no adjustment will be made to the MCB 1 Conversion Price or the MCB 2 Conversion Price:

- (i) when Shares, options or other securities are issued, offered, exercised, allotted, appropriated, modified or granted to or for the benefit of Eligible Participants pursuant to the ESOP; or
- (ii) 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\$5 per Share (the “**Minimal Strategic Investor Share 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 at the issue price of below HK\$5 per Share, an adjustment may be made to the MCB 1 Conversion Price or the MCB 2 Conversion Price in the scenarios in (g) or (h) above if such issue price is also 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 Shares, options or other securities.

If an adjustment is required in the scenario in (g) above, the MCB Conversion Price shall be adjusted by multiplying the MCB Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A+B}{C}$$

Where:

- A is the aggregate number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares;
- B is the number of Shares which the aggregate consideration receivable for the issue of the maximum number of Shares to be issued or the exercise of such options, warrants or other rights would purchase at such current market price per Share; and
- C is the aggregate number of Shares in issue immediately after the issue of such additional Shares.

If an adjustment is required in the scenario in (h) above, the MCB Conversion Price shall be adjusted by multiplying the MCB Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A+B}{A+C}$$

Where:

- A is the aggregate number of Shares in issue immediately before such issue;
- B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such current market price per Share on the date of such announcement; and
- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate on the issue date of such securities.

The rationale to include such carve out to adjustment to the MCB Conversion Price is that the introduction of Strategic Investors would be beneficial to the Group as a whole. In such case, the Company is of the view that anti-dilution protection for holders of the MCBs should not apply.

The Minimal Strategic Investor Share Price of HK\$5 per Share has been determined after negotiations between the Company and the creditors and their advisor after taking into account, among other things:

- (1) the effective MCB 2 Conversion Price of HK\$5, being HK\$3.85 / 77% after taking into account 23% of the MCBs attributable to the Scheme Creditors as Restructuring Consideration will be used for the Shareholding Structure Stability Arrangement. The effective MCB 2 Conversion Price only takes into account the portion of MCB 2 that the Scheme Creditors are actually issued, hence the MCB 2 Conversion Price is divided by 77% to arrive at the effective MCB 2 Conversion Price. Furthermore, only the MCB 2 Conversion Price (but not the MCB 1 Conversion Price) was taken into account given that any Strategic Investor would tend to be a long-term investor of the Company. Hence the MCB 2 Conversion Price would be a more relevant reference point given that the MCB 2's tenure is 30 months while the MCB 1's tenure is only 6 months;
- (2) the share price performance of the Company; and
- (3) the assessment of acceptability of creditors towards the terms of the Restructuring,

and in the opinion of the Company, such price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Based on the discussion with the Management and our review, we understand that (i) it is a normal commercial term that the Scheme Creditors would reasonably expect anti-dilution arrangement to be in place in the case of any issuance with issue prices below those of the MCB Conversion Prices (as defined below) or the relevant effective conversion prices of the MCBs; (ii) the Minimal Strategic Investor Share Price of HK\$5 was set at the effective MCB 2 Conversion Price, being (a) the MCB 2 Conversion Price (i.e. HK\$3.85); divided by (b) the net percentage of the MCBs attributable to the Scheme Creditors after the Shareholding Structure Stability Arrangement (i.e. 77%); (iii) the Minimal Strategic Investor Share Price of HK\$5 (or the effective MCB 2 Conversion Price) would be in fact below the effective conversion price of the MCBs attributable to the Scheme Creditors; (iv) by comparing with the share price performance of the Company during the Review Period (as defined below), the Minimal Strategic Investor Share Price of HK\$5 represents a premium of approximately 192.40% over the average Share price of HK\$1.71 during the Review Period (as defined below); and (v) when the Company introduces Strategic Investor with issuances at issue prices above the Minimal Strategic Investor Share Price, no adjustment will be made to the MCB Conversion Prices even when the abovementioned scenarios (g) or (h) above apply, which is beneficial to the Company for introducing Strategic Investors in the future. Given the current financial and operational conditions of the Group and the current industry conditions, the potential introduction of Strategic Investors could offer positive support to the long-term business recovery of the Group. In light of the above, we are of the view that the Minimal Strategic Investor Share Price is fair and reasonable.

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

MCB 1

- (i) Assuming issue of MCB 1 in the maximum aggregate principal amount of US\$9,710,670,612.75 (being the aggregate of 100% of the Maximum Scheme Creditors' Claims and the Consent Fees)

Assuming that MCB 1 in the maximum aggregate principal amount of US\$9,710,670,612.75 (being the aggregate of 100% of the Maximum Scheme Creditors' Claims and the Consent Fees) will be issued by the Company and assuming full conversion of the MCB 1 at the MCB 1 Conversion Price of HK\$6.80 per Share and based on the agreed exchange rate of US\$1 = HK\$7.8, up to 11,138,710,407 MCB 1 Conversion Shares will be allotted and issued, which represent:

- (a) approximately 97.11% of the existing issued share capital of the Company as at the Latest Practicable Date;
- (b) approximately 49.27% of the issued share capital of the Company as enlarged by the allotment and issue of such MCB 1 Conversion Shares;
- (c) approximately 46.89% of the issued share capital of the Company as enlarged by (i) the allotment and issue of such MCB 1 Conversion Shares, and (ii) the allotment and issue of Shares pursuant to the ESOP assuming that the Plan Mandate Limit of 1,146,984,354 Shares is fully utilized (further assuming there is no other change in the issued share capital of the Company); and
- (d) approximately 45.82% of the issued share capital of the Company as enlarged by (i) the allotment and issue of such MCB 1 Conversion Shares, and (ii) subject to obtaining the requisite shareholders' approval under the Listing Rules, the allotment and issue of Shares pursuant to the ESOP assuming that the Plan Mandate Limit of 1,701,719,114 Shares is fully utilized (further assuming there is no other change in the issued share capital of the Company).

The MCB 1 Conversion Shares, upon full conversion, shall have an aggregate nominal value of up to HK\$1,113,871,040.70.

- (ii) Assuming issue of MCB 1 in the aggregate principal amount of US\$7,298,170,612.75 (being the aggregate of 75% of the Maximum Scheme Creditors' Claims and the Consent Fees)

Assuming that MCB 1 in the aggregate principal amount of US\$7,298,170,612.75 (being the aggregate of 75% of the Maximum Scheme Creditors' Claims and the Consent Fees) will be issued by the Company and assuming full conversion of the MCB 1 at the MCB 1 Conversion Price of HK\$6.80 per Share and based on the agreed exchange rate of US\$1 = HK\$7.8, up to 8,371,430,996 MCB 1 Conversion Shares will be allotted and issued, which represent:

- (a) approximately 72.99% of the existing issued share capital of the Company as at the Latest Practicable Date;
- (b) approximately 42.19% of the issued share capital of the Company as enlarged by the allotment and issue of such MCB 1 Conversion Shares;
- (c) approximately 32.36% of the issued share capital of the Company as enlarged by (i) the allotment and issue of such MCB 1 Conversion Shares, (ii) the allotment and issue of MCB 2 Conversion Shares upon full conversion of the MCB 2 in the maximum principal amount of US\$2,412,500,000.00 at the MCB 2 Conversion Price of HK\$3.85 per Share, and (iii) the allotment and issue of Shares pursuant to the ESOP assuming that the Plan Mandate Limit of 1,146,984,354 Shares is fully utilized (further assuming there is no other change in the issued share capital of the Company); and

- (d) approximately 31.48% of the issued share capital of the Company as enlarged by (i) the allotment and issue of such MCB 1 Conversion Shares, (ii) the allotment and issue of MCB 2 Conversion Shares upon full conversion of the MCB 2 in the maximum principal amount of US\$2,412,500,000.00 at the MCB 2 Conversion Price of HK\$3.85 per Share, and (iii) subject to obtaining the requisite shareholders' approval under the Listing Rules, the allotment and issue of Shares pursuant to the ESOP assuming that the Plan Mandate Limit of 1,861,317,829 Shares is fully utilized (further assuming there is no other change in the issued share capital of the Company).

The MCB 1 Conversion Shares, upon full conversion, shall have an aggregate nominal value of up to HK\$837,143,099.60.

MCB 2

Assuming that MCB 2 in the maximum aggregate principal amount of US\$2,412,500,000.00 (being 25% of the Maximum Scheme Creditors' Claims) will be issued by the Company and assuming full conversion of the MCB 2 at the MCB 2 Conversion Price of HK\$3.85 per Share and based on the agreed exchange rate of US\$1 = HK\$7.8, up to 4,887,662,336 MCB 2 Conversion Shares will be allotted and issued, which represent:

- (a) approximately 42.61% of the existing issued share capital of the Company as at the Latest Practicable Date;
- (b) approximately 29.88% of the issued share capital of the Company as enlarged by the allotment and issue of such MCB 2 Conversion Shares;

- (c) approximately 18.89% of the issued share capital of the Company as enlarged by (i) the allotment and issue of such MCB 2 Conversion Shares, (ii) the allotment and issue of MCB 1 Conversion Shares upon full conversion of the MCB 1 in the principal amount of US\$7,298,170,612.75 at the MCB 1 Conversion Price of HK\$6.80 per Share, and (iii) allotment and issue of Shares pursuant to the ESOP assuming that the Plan Mandate Limit of 1,146,984,354 Shares is fully utilized (further assuming there is no other change in the issued share capital of the Company); and
- (d) approximately 18.38% of the issued share capital of the Company as enlarged by (i) the allotment and issue of such MCB 2 Conversion Shares, (ii) the allotment and issue of MCB 1 Conversion Shares upon full conversion of the MCB 1 in the principal amount of US\$7,298,170,612.75 at the MCB 1 Conversion Price of HK\$6.80 per Share, and (iii) subject to obtaining the requisite shareholders' approval under the Listing Rules, the allotment and issue of Shares pursuant to the ESOP assuming that the Plan Mandate Limit of 1,861,317,829 Shares is fully utilized (further assuming there is no other change in the issued share capital of the Company).

The MCB 2 Conversion Shares, upon full conversion, shall have an aggregate nominal value of up to HK\$488,766,233.60.

The maximum number of MCB Conversion Shares will be allotted and issued when the principal amount of the MCB 1 to be issued would represent the aggregate of 75% of the Maximum Scheme Creditors' Claims and the Consent Fees, and the principal amount of the MCB 2 to be issued would represent 25% of the Maximum Scheme Creditors' Claims.

Based on the above figures, the maximum number of MCB Conversion Shares (the sum of 8,371,430,996 MCB 1 Conversion Shares and 4,887,662,336 MCB 2 Conversion Shares) that may be allotted and issued by the Company is 13,259,093,332.

Security and guarantee: The MCBs will be secured by the charges over the shares held by the Company or a Subsidiary Guarantor Pledgor in the Subsidiary Guarantors to be shared among the MCB 1, the MCB 2 and any other permitted *pari passu* secured indebtedness.

The MCBs will be jointly and severally guaranteed by the Subsidiary Guarantors.

Subject to the terms of the MCBs, the security and guarantee may be enforced upon the occurrence of payment acceleration events under the MCBs where the MCBs would become due and payable. The Company will assess the Listing Rules implications arising from any such enforcement based on the then prevailing facts and circumstances and comply with the relevant requirements under the Listing Rules, if applicable.

Redemption events: (a) Redemption at the option of the Company

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

(b) Redemption for taxation reasons

Subject to the terms of the relevant MCB, at any time the Company may, having given not less than 15 business days' notice to the holders of the relevant MCB, the trustee and the principal agent (which notice shall be irrevocable) redeem all but not some only of such 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.

Redemption restriction: The Company may redeem or repurchase the outstanding MCBs, through tender offers or other offers of purchases that are made to all holders of the MCBs (subject to customary exclusions for compliance with the securities laws of relevant jurisdictions), provided that: (a) no open market repurchase of the MCBs shall be made; and (b) to the extent any MCBs which were allocated to and received by Mr. Sun or any of his affiliates or other designated persons under the Shareholding Structure Stability Arrangement remain outstanding, the Company shall not redeem or repurchase such Bonds held by Mr. Sun or any of his affiliates or other designated persons.

Payment acceleration events: Payment acceleration events under the MCBs are as follows:

- winding up order granted against the Company;
- delisting of the Company's shares;
- suspension of trading of the Company's shares as set out in the terms of the MCBs; and
- failure to deliver Conversion Shares subject to the terms and conditions of the MCBs

If any of the payment acceleration events has occurred and is continuing, the MCB 1 or MCB 2 (as applicable) may be declared due and payable subject to the terms of the relevant MCB.

Ranking: The MCBs constitute direct, unsubordinated, unconditional and secured obligations of the Company, and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Company under the MCBs shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

The MCB 1 and the MCB 2 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 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 MCBs 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.

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 MCBs on the SGX.

4. Evaluation of the key terms of the Connected MCB Issue

4.1 Issue of MCBs to Sunac International as a Scheme Creditor

The Scheme Creditors comprise the persons who hold beneficial interests as principal in, or who are the lenders under, the instruments at the Record Time for the Scheme, as listed out under the section headed “9. INFORMATION ON THE EXISTING DEBT UNDER THE SCHEME” in the Letter from the Board.

As at the Latest Practicable Date, Sunac International, as the holder of the Sunac International MCB, is one of the Scheme Creditors. Similar to other holders of the Existing Debt and subject to the Election and Allocation Mechanism, the Sunac International MCB held by Sunac International will be exchanged into MCBs in the Restructuring. Therefore, the terms and conditions for the issuance of MCBs to Sunac International are the same as the other Scheme Creditors.

As at the Latest Practicable Date, the aggregate principal amount of the Sunac International MCB outstanding was US\$15,812,060.00. It is estimated that Sunac International, as a Scheme Creditor, may be issued MCBs in the principal amount of up to US\$15,812,060.00. Sunac International will not be receiving any Consent Fees under the Scheme.

4.2 Share price comparisons

MCB 1

Subject to the terms and conditions of the MCB 1, the MCB 1 Conversion Price is initially HK\$6.80 per Share, which may be adjusted upon the occurrence of the adjustment events. The initial MCB 1 Conversion Price of HK\$6.80 per Share represents:

- (i) a premium of approximately 330.38% over the RSA Closing Price of HK\$1.58 per Share;
- (ii) a premium of approximately 347.96% over the average closing price of HK\$1.52 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares up to and including the RSA Date (the “**Average Closing Price**”); and
- (iii) a premium of approximately 341.56% over the LPD Closing Price of HK\$1.54 per Share.

MCB 2

Subject to the terms and conditions of the MCB 2, the MCB 2 Conversion Price is initially HK\$3.85 per Share, which may be adjusted upon the occurrence of the adjustment events. The initial MCB 2 Conversion Price of HK\$3.85 per Share represents:

- (i) a premium of approximately 143.67 % over the RSA Closing Price of HK\$1.58 per Share;
- (ii) a premium of approximately 153.62% over the Average Closing Price of HK\$1.52 per Share; and
- (iii) a premium of approximately 150.00% over the LPD Closing Price of HK\$1.54 per Share.

4.3 Historical share price performance

In order to assess the fairness and reasonableness of the MCB 1 Conversion Price at HK\$6.80 per Share and MCB 2 Conversion Price at HK\$3.85 per Share (collectively the “**MCB Conversion Prices**”), we have reviewed the daily closing prices of the Shares during the period from 18 April 2024 to the RSA Date (i.e. 17 April 2025), being approximately one year prior to the RSA 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 during the Review Period. Such comparison is relevant for the assessment of the fairness and reasonableness of MCB Conversion Prices. 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



As illustrated in Chart 1 above, the closing prices of the Shares traded in a range between the lowest of HK\$0.91 per Share on 16 September 2024 (the “**Lowest Closing Price**”) to the highest of HK\$4.60 per Share on 2 October 2024 (the “**Highest Closing Price**”) during the Review Period with an average of HK\$1.71 per Share. The MCB 1 Conversion Price represents premiums of approximately 647.25% and approximately 47.83% over the Lowest Closing Price and the Highest Closing Price, respectively. The MCB 2 Conversion Price represents a premium over the Lowest Closing Price of approximately 323.08% and a discount to the Highest Closing Price of approximately 16.30%. The MCB 2 Conversion Price is slightly below the upper bound of the Share closing prices during the Review Period. The MCB 1 Conversion Price and MCB 2 Conversion Price represent premiums over the average Share price HK\$1.71 by approximately 297.66% and 125.15% respectively.

Apart from the customary announcements made by the Company in terms of its interim and/or annual results announcements, and the issue of interim and/or annual reports and circular for its annual general meeting during the Review Period, other notable events included:

- (i) announcements in relation to the Restructuring and the Petition;
- (ii) announcements in relation to the Onshore Debt Restructuring;
- (iii) announcements in relation to the Existing Notes (as defined in the Letter from the Board);
- (iv) announcement dated 17 March 2025 in relation to profit warning of the Company for FY2024;
- (v) announcement dated 27 January 2025 in relation to the signing of a debt restructuring agreement between the Group and China Credit Trust Co., Ltd.* (中誠信託有限責任公司);
- (vi) announcement dated 23 January 2025 in relation to existing debt restructuring and new financing of the Chongqing Bay Project (as defined therein);
- (vii) announcement dated 29 November 2024 in relation to a discloseable transaction whereby the Group disposed of a major equity interests in Harbin Ice and Snow World Park Limited By Share Ltd* (哈爾濱冰雪大世界股份有限公司);
- (viii) announcement dated 1 November 2024 in relation to a discloseable transaction involving the update and adjustment on the cooperation arrangement with Guilin Zhangtai Enterprise Group Limited* (桂林彰泰實業集團有限公司);
- (ix) announcement dated 17 October 2024 in relation to the top-up placing of existing Shares and subscription of new Shares with gross proceeds of approximately HK\$1.205 billion;

- (x) PRC government authorities published a series of policies to support and improve the real estate and stock market since September 2024, share prices of real estate companies listed on the Stock Exchange generally improved;
- (xi) announcement dated 20 August 2024 in relation to profit warning of the Company for the six months period ended 30 June 2024; and
- (xii) announcement dated 30 April 2024 in relation to the disciplinary actions imposed by the Shanghai Stock Exchange and Shenzhen Stock Exchange on Sunac Real Estate Group Co., Ltd.* (融創房地產集團有限公司), a wholly-owned subsidiary of the Company, and Mr. Wang Mengde, an executive Director.

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

Independent Shareholders should note the MCB Conversion Prices each set at a significant premium to the relevant closing Share prices essentially means that there is a similar significant haircut on the principal amounts of the Existing Debt. This feature is aimed in improving the overall capital structure of the Group, thereby enabling the Group to achieve meaningful deleverage of the Group's offshore debts and to establish a sustainable capital structure of the Company, which is the focus of the Key Restructuring Objectives.

In light of the above analysis, in particular (i) the MCB 1 Conversion Price (i.e. HK\$6.80) is significantly above the range of the Share closing prices throughout the Review Period and the MCB 2 Conversion Price (i.e. HK\$3.85) is only slightly below the upper bound of the Share closing prices during the Review Period; and (ii) the MCB 1 Conversion Price and the MCB 2 Conversion Price represent a premium of 330.38% and 143.67%, respectively, over the RSA Closing Price, we are of the view that the MCB Conversion Prices represent a favourable feature to the Independent Shareholders to consider as discussed above.

4.4 Comparable MCBs

To assess the fairness and reasonableness of the key terms of the MCBs, including the interest rate, conversion price and term to maturity, we have conducted independent research of the proposed issue of mandatory convertible bonds under specific mandate announced by companies listed on the Main Board of the Stock Exchange in which their circulars were issued during the period from 18 April 2022 to the RSA Date (i.e. 17 April 2025), being approximately three years prior to the RSA Date (the “**MCB Review Period**”). Based on the above selection criteria, we have identified a total of six mandatory convertible bond issuances (the “**Comparable MCBs**”) to provide an assessment of the recent market practice in relation to the key terms of mandatory convertible bonds under similar market conditions. We consider that the MCB Review Period is appropriate since it provided, in our opinion, a reasonable and meaningful number of samples for our analysis purpose and the Comparable MCBs as a whole provides a fair and representative sample.

Independent Shareholders should note that the principal businesses, market capitalisation, profitability and financial positions of the companies in relation to the Comparable MCBs 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 MCBs 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 MCBs is exhaustive, fair and representative during the MCB Review Period in assessing the fairness and reasonableness of the key terms of the Connected MCB Issue.

Table 3: Analysis of the Comparable MCBs

Date of circular	Stock code	Name of company	Principal amount	Term to maturity	Interest rate per annum	Premium/(discount) of conversion price ^(Note 1)		Relative dilution effect of existing public shareholders (excluding public mandatory convertible bond holders) for conversion of mandatory convertible bond ^(Note 2)
						the closing price as at last trading day prior to/on date of announcement or date of the credit/restructuring supporting agreement or date of the amended credit/restructuring supporting agreement	the average closing price of five (5) trading days up to and including the last trading day prior to/on date of announcement or date of the credit/restructuring supporting agreement or date of the amended credit/restructuring supporting agreement	
30 December 2024	813	Shimao Group Holdings Limited						
		■ Controlling shareholder mandatory convertible bond	US\$397,758,525	1.0	Nil	710.81	704.29	81.76
		■ Mandatory convertible bond	Up to US\$12,662,513,247	1.0	Nil	710.81	704.29	
29 November 2024	1638	Kaisa Group Holdings Ltd.						64.98
		■ Tranche A	US\$300,000,000	N/A ^(Note 3)	Nil	4,103.54	4,202.54	
		■ Tranche B	US\$400,000,000		Nil	4,103.54	4,202.54	
		■ Tranche C	US\$500,000,000		Nil	4,103.54	4,202.54	
		■ Tranche D	US\$800,000,000		Nil	3,484.07	3,568.48	
		■ Tranche E	US\$800,000,000		Nil	3,484.07	3,568.48	
		■ Tranche F	US\$1,000,000,000		Nil	3,484.07	3,568.48	
		■ Tranche G	US\$1,000,000,000		Nil	3,484.07	3,568.48	
			Up to US\$2,092,219,129		Nil	3,484.07	3,568.48	

Date of circular	Stock code	Name of company	Principal amount	Term to maturity	Interest rate per annum	Premium/(discount) of conversion price ^(Note 1)		Relative dilution effect of existing public shareholders (excluding public mandatory convertible bond holders) for conversion of mandatory convertible bond ^(Note 2)
						the closing price as at last trading day prior to/on date of announcement or date of the credit/restructuring supporting agreement or date of the amended credit/restructuring supporting agreement	the average closing price of five (5) trading days up to and including the last trading day prior to/on date of announcement or date of the credit/restructuring supporting agreement or date of the amended credit/restructuring supporting agreement	
5 November 2024	1238	Powerlong Real Estate Holdings Limited	Up to US\$558,166,990	4.0	Nil	520.37	723.10	23.93
1 November 2024	3377	Sino-Ocean Group Holding Limited						49.27
		■ Class A	Approximately US\$833,000,000	2.0	Nil	289.33	292.47	
		■ Class B	Approximately US\$1,450,000,000	2.0	Nil	1,412.00	1,424.19	
		■ Class C	Approximately US\$1,175,000,000	2.0	Nil	4,438.67	4,475.27	
		■ Class D	Approximately US\$561,000,000	2.0	Nil	2,870.67	2,894.62	
15 December 2023	3883	China Aoyuan Group Limited	US\$143,000,000	5.0	Nil	-44.07	-42.61	36.32

Date of circular	Stock code	Name of company	Principal amount	Term to maturity	Interest rate per annum	Premium/(discount) of conversion price ^(Note 1) the average closing price of five (5) trading days up to the closing price as at last trading day prior to/on date of announcement or date of the credit/ restructuring supporting agreement or date of the amended credit/ restructuring supporting agreement	the closing price as at last trading day prior to/on date of announcement or date of the credit/ restructuring supporting agreement or date of the amended credit/ restructuring supporting agreement	Relative dilution effect of existing public shareholders (excluding public mandatory convertible bond holders) for conversion of mandatory convertible bond ^(Note 2)
13 June 2023	1918	The Company ■ Mandatory convertible bond	US\$2,200,000,000	5.0	Nil	-12.66 ^(Note 6) 31.00 ^(Note 7)	-14.89 ^(Note 6) 27.66 ^(Note 7)	48.67
		■ Controlling shareholder mandatory convertible bond	US\$450,000,000	5.0	Nil	-12.66 ^(Note 6) 31.00 ^(Note 7)	-14.89 ^(Note 6) 27.66 ^(Note 7)	
			Max	5.0	Nil	4,438.67	4,475.27	81.76
			Min	1.0	Nil	-44.07	-42.61	23.93
			Average	2.9	Nil	2,033.81	2,082.56	50.82
		The Company						53.62 ^(Note 8)
		MCB 1	Up to approximately US\$9.71 billion ^(Note 4)	0.5	Nil	330.38	347.96	
		MCB 2	Up to approximately US\$2.41 billion	2.5	Nil	143.67	153.62	

Sources: Website of the Stock Exchange and the circulars of the Company

Notes:

1. Conversion prices of respective Comparable MCBs are extracted from the respective circulars in relation to the issue of the Comparable MCBs (the “**Comparable MCBs Circulars**”).
2. To provide meaningful references for relative dilution effect caused by conversion of the MCBs, relative dilution effect of conversion of the respective Comparable MCBs is calculated based on (i) the conversion of the respective Comparable MCBs only and without taking into account the effects on the shareholding structuring caused by other securities; and (ii) all other applicable assumptions for deriving the relative dilution effects on the shareholding structure of respective companies by the Comparable MCBs as stated in the Comparable MCBs Circulars. For illustrative purpose, the relative dilution effect percentage is calculated by subtracting (i) the shareholding percentage of the public shareholders upon full conversion of the Comparable MCBs (excluding the holders of the respective Comparable MCBs); from (ii) the shareholding percentage of the public shareholders as at the relevant latest practicable date; and then divided by (iii) the shareholding percentage of the public shareholders as at the relevant latest practicable date as disclosed in the Comparable MCBs Circulars.
3. Instead of terms to maturity, only maturity dates of the mandatory convertible bonds of Kaisa Group Holdings Ltd. were disclosed in the respective Comparable MCBs Circulars.
4. The principal amount of the MCB 1 includes the Consent Fees to be paid by the MCB 1.
5. The information and figures under this table were extracted from and/or calculated based on the information disclosed in the respective Comparable MCBs Circulars.
6. Calculated based on the initial minimum conversion price of the respective mandatory convertible bonds of the Previous Restructuring (as defined below).
7. Calculated based on the initial conversion price of the respective mandatory convertible bonds of the Previous Restructuring (as defined below).
8. The relative dilution effect of the MCBs is calculated based on the assumptions and shareholding structure before and upon full conversion of the MCBs as set out in the section headed “Relative Dilution effect” below.

Interest rate

As shown in Table 3 above, the interest rate for all the Comparable MCBs was nil, which is the same as the MCBs, we consider the fact that the MCBs will not bear any interest to be on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Term to maturity

The term to maturity of the Comparable MCBs ranged from 1.0 year to 5.0 years, with an average term of approximately 2.9 years.

On one hand, the term to maturity of the MCB 2 is 30 months (i.e. 2.5 years) from the earlier of 31 December 2025 and the Restructuring Effective Date and falls within such range of the Comparable MCBs but is below the average term to maturity of the Comparable MCBs.

On the other hand, the term to maturity of the MCB 1 is 6 months (i.e. 0.5 year) from the Restructuring Effective Date. Such term to maturity of the MCB 1 falls below the lower bound of the term to maturity of the Comparable MCBs. According to the principal terms of the MCBs, the MCB 1 will comprise no less than 75% of the Restructuring Consideration and, if none of the Scheme Creditors will elect for MCB 2, all the Scheme Creditors will receive MCB 1 by default.

The Group completed the offshore debt restructuring (the “**Previous Restructuring**”) in 2023, which involved Company’s senior notes and other offshore instruments or debts in the principal amount of US\$9,048 million. We note that the Previous Restructuring involved the issue of convertible bonds and mandatory convertible bonds (collectively the “**Previous Bonds**”) with term to maturity ranged from 5 years to 9 years. We further understand from the Management that (i) the Restructuring is the second round of offshore debt restructuring conducted by the Company during the MCB Review Period where the Previous Bonds already had their own term to maturity and these Previous Bonds which form part of the Existing Debt will be subject to the Restructuring; and (ii) the terms (including the term to maturity) of the MCBs were determined after arms’ length negotiations between the Company and the Initial Consenting Creditors after taking into account, among other things, the assessment of acceptability of Scheme Creditors towards the terms (including the term to maturity) of the Restructuring with a view to achieving a sustainable capital structure. Having considered the above, in particular, (i) under the Previous Restructuring, the then relevant debts had already been extended in 2023 through the issue of the Previous Bonds with their own term to maturity (the “**First Debt Extension**”); (ii) when assessing the term to maturity of the MCB 1 and MCB 2, the relevant period of the First Debt Extension and the assessment of acceptability of Scheme Creditors towards the terms (including the term to maturity) of the Restructuring should also be taken into consideration; and (iii) the sooner the MCB 1 are converted, the faster the Group is de-leveraged and capital structure of the Company is optimised, we are of the view that the terms to maturity of the MCBs are justifiable.

MCB Conversion Prices

As shown in Table 3 above, we note that the conversion price to: (i) the closing price on the last trading day prior to/on date of announcement or date of the credit/restructuring supporting agreement or date of the amended credit/restructuring supporting agreement in relation to the respective Comparable MCBs ranged from a premium of approximately 4,438.67% to a discount of approximately 44.07%, with an average premium of approximately 2,033.81%; and (ii) the average closing price of the last five (5) trading days prior to/on date of the announcement or date of the credit/restructuring supporting agreement or date of the amended credit/restructuring supporting agreement in relation to the respective Comparable MCBs ranged from a premium of approximately 4,475.27% to a discount of approximately 42.61%, with an average premium of approximately 2,082.56%. The MCB 1 Conversion Price and MCB 2 Conversion Price are: (a) at a premium of approximately 330.38% and approximately 143.67% over the RSA Closing Price, respectively; and (b) at a premium of approximately 347.96% and approximately 153.62% over the Average Closing Price, respectively (collectively the “**MCBs Premiums**”). The premiums as represented by the MCB Conversion Prices are within the respective ranges and below the respective average premiums of the Comparable MCBs. Having taken into account that: (i) the Restructuring is the second round of offshore debt restructuring conducted by the Company during the MCB Review Period; (ii) under the Previous Restructuring, the then relevant debts had already been subject to the First Debt Extension; (iii) the conversion prices of mandate convertible bonds of the Previous Bonds over (a) the closing price of the Shares on the last trading day prior to; and (b) the average closing price of the Shares of five (5) trading days up to and including the signing of the corresponding restructuring support agreement represented discounts of approximately 14.89% to premiums of approximately 31.00%, which were significantly below the MCBs Premiums; and (iv) the terms (including the MCB Conversion Prices) of the MCBs were determined after arms’ length negotiations between the Company and the Initial Consenting Creditors after taking into account, among other things, the assessment of acceptability of Scheme Creditors towards the terms (including the MCB Conversion Prices) of the Restructuring with a view to achieving a sustainable capital structure, we consider the MCB Conversion Prices are justifiable.

Based on the above, we consider the terms of the MCBs to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Relative Dilution effect

The relative dilution effect to the existing public shareholders (excluding mandatory convertible bond holders who are considered as public) of the Comparable MCBs ranged from approximately 23.93% to approximately 81.76% with the average relative dilution effect of approximately 50.82%.

Based on the information disclosed in the Letter from the Board and as advised by the Management, the table below illustrates effects on the shareholding structure of the Company taking into account the impact of the MCB Issue.

- (i) as at the Latest Practicable Date; and
- (ii) assuming full conversion of the MCBs at the initial MCB 1 Conversion Price of HK\$6.80 per Share or the initial MCB 2 Conversion Price of HK\$3.85 per Share (as applicable), and (i) the principal amount of the MCB 1 to be issued as Restructuring Consideration would be equal to US\$7,237,500,000.00, representing 75% of Maximum Scheme Creditors' Claims, and the principal amount of the MCB 2 to be issued would be equal to approximately US\$2,412,500,000.00, representing 25% of the Maximum Scheme Creditors' Claims, (ii) Sunac International and/or Mr. Sun and/or his designated person(s) will in aggregate be issued MCBs in maximum principal amount of US\$2,231,675,286.20 in the Restructuring, comprising (1) the MCBs in principal amount of up to US\$15,812,060.00 to be issued to Sunac International as a Scheme Creditor and (2) the MCBs in principal amount of up to US\$2,215,863,226.20 to be issued to Mr. Sun or his designated person(s) under the Shareholding Structure Stability Arrangement, and (iii) for the purpose of the payment of Consent Fees, MCB 1 in principal amount of US\$60,670,612.75 will be issued to the Scheme Creditors;
- (iii) 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 MCBs and based on the agreed exchange rate of US\$1 = HK\$7.8 (collectively, the “**Relative Dilution Effect Assumptions**”):

Table 4: Shareholding structure of the Company upon full conversion of the MCBs

	As at the Latest Practicable Date		Immediately upon full conversion of the MCBs based on the Relative Dilution Effect Assumptions	
	Number of Shares	%	Number of Shares	%
Mr. Sun (Note 1)	2,741,756,987	23.90%	5,791,983,148	23.42%
Mr. Wang Mengde	17,177,000	0.15%	17,177,000	0.07%
Ms. Ma Zhixia	3,829,000	0.03%	3,829,000	0.02%
Mr. Tian Qiang	6,982,000	0.06%	6,982,000	0.03%
Mr. Huang Shuping	5,400,000	0.05%	5,400,000	0.02%
Mr. Sun Kevin Zheyi	261,000	0.002%	261,000	0.001%
Holders of MCB 1 (other than Sunac International, Mr. Sun or his designated person(s))	–	–	6,451,533,875	26.09%
Holders of MCB 2 (other than Sunac International, Mr. Sun or his designated person(s))	–	–	3,757,333,296	15.19%
Other Shareholders (the “Other Shareholders”) (Note 2)	8,694,437,556	75.80%	8,694,437,556	35.16%
Total	11,469,843,543	100.00%	24,728,936,875	100.00%

Notes:

- Of these 2,741,756,987 Shares, (a) 19,930,000 Shares were held by Mr. Sun, (b) 2,673,120,987 Shares were held by Sunac International and (c) 48,706,000 Shares were held by Tianjin Biaodi. 70% of the issued shares of Sunac International and all the shares of Tianjin Biaodi were held by Sunac Holdings LLC. All issued shares of Sunac Holdings LLC were held by the HBS Family Trust (the “**Family Trust**”). South Dakota Trust Company LLC was the trustee of the Family Trust. The Family Trust was established by Mr. Sun and Mr. Sun and some of his family members are the beneficiaries. In accordance with the SFO, Mr. Sun was deemed to be interested in the aforesaid Shares.
- To the best of the Directors’ knowledge, information and belief, 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.

As illustrated in Table 4, based on the Relative Dilution Effect Assumptions and upon full conversion of the MCBs, the shareholding interests of the Other Shareholders would be approximately 35.16% and the corresponding relative dilution effect would be approximately 53.62% (the “**Relative MCBs Dilution**”), which is within the range and slightly above the average relative dilution effect of the Comparable MCBs of 50.82%. We understand from the Management that such substantial Relative MCBs Dilution was mainly attributable to the significant size of the issue of Shares pursuant to the full conversion of the MCBs pursuant to the Restructuring as compared to the size of the issued Shares as at the Latest Practicable Date. Having considered that, (i) the substantial amount of the current borrowings of the Group of approximately RMB105.80 billion as at 31 December 2024, which are due on or before 31 December 2025; (ii) the substantial amount of the Overdue and Early Repayment Borrowings, with the pressing need to move forward to achieve the Key Restructuring Objectives; (iii) the premiums as represented by the MCB Conversion Prices are within the respective ranges of the Comparable MCBs; and (iv) the Company is facing pressure on its working capital and liquidity positions, as discussed in the paragraph headed “1.1 The Group” under the section headed “1. Information of the Parties” above, we consider that the Relative MCBs Dilution is fair and reasonable.

4.5 The Shareholding Structure Stability Arrangement

As disclosed in the Letter from the Board, to 1) maintain a stable shareholding structure, 2) ensure the continued contribution of Mr. Sun to the Group’s ongoing home delivery program, debt risk resolution and long-term business recovery, and 3) strengthen stakeholder confidence and better facilitate resource integration (the “**Stability Arrangement Objectives**”), conditional Restricted Shares are proposed to be allocated to the Substantial Shareholder or his designated person(s) as part of the Restructuring. This would enable Mr. Sun and/or his designated persons to retain a certain shareholding level. Specifically, for every US\$100 in principal amount of MCBs attributable to the Scheme Creditors (other than those attributable to Sunac International), US\$23 out of those MCBs (i.e. the Relevant New MCBs) will instead be issued to Mr. Sun or the Designee(s).

On the basis of the Maximum Scheme Creditors’ Claims, it is estimated that Mr. Sun and/or his Designee(s) may be issued additional MCBs in principal amount of up to US\$2,215,863,226.20 as a result of the Shareholding Structure Stability Arrangement.

In connection with the Shareholding Structure Stability Arrangement, Mr. Sun will execute the Chairman Undertaking pursuant to which he will irrevocably undertake to the Company that, among others:

- a. Mr. Sun will not, and will procure that his Designee(s) do not, sell, assign, transfer, pledge or otherwise dispose of or create any encumbrance over any of the conversion shares to be issued upon conversion of the Relevant New MCBs (the “**Relevant MCB Conversion Shares**”) (each a “**Transaction**”), unless:

- i. at any time during the period from (and including) the Restructuring Effective Date to and (excluding) the date that is the sixth anniversary of the Restructuring Effective Date (the “**Restricted Period**”), the average closing price per Share as quoted on the daily quotation sheets of the Stock Exchange for any period of 30 consecutive trading days reaches or exceeds HK\$7.4 per Share (the “**Minimum Price**”); or
- ii. the Transaction occurs on or after the date that is the sixth anniversary of the Restructuring Effective Date,

and, in either case, subject further to the conditions that:

- iii. the Transaction must comply with all applicable laws and regulations, including (without limitation) the Listing Rules;
- iv. as at the date that is: (x) the sixth anniversary of the Restructuring Effective Date; or (y) if sub-paragraph (a)(i) above applies, the date of the relevant Transaction, Mr. Sun shall remain, or (if Mr. Sun is restricted by law or by any order or directive of a government agency from holding a senior position at the Company) one of his affiliates shall remain, employed or engaged as the chairman or a member of the Board and/or in another senior managerial position at the Company (the “**Qualification Condition**”), save that:
 - A. where the Strategic Investor (if any) has required the resignation of Mr. Sun and his affiliates as a condition for its equity investment in, or general or partial takeover of, the Company, then (without prejudice to or derogation from the requirements set out in sub-paragraphs (a)(i) and (a)(ii) above) the Qualification Condition shall cease to apply; and

- B. in the case of Mr. Sun's death or disability prior to the date that is the sixth anniversary of the Restructuring Effective Date, the Qualification Condition shall cease to apply, and the person who inherits or otherwise legally assumes ownership or control of his rights in or title to the Relevant MCB Conversion Shares shall be permitted to enter into one or more Transactions in respect of those Relevant MCB Conversion Shares on and from the date that is the sixth anniversary of the Restructuring Effective Date;

and if, at as the date that is the sixth anniversary of the Restructuring Effective Date, the Qualification Condition applies but is not satisfied, then, subject to compliance with all applicable laws and regulations, including (without limitation) the Listing Rules, the Relevant MCB Conversion Shares shall, from that date onwards, be held to the order of the Company and Mr. Sun and the Designee(s) and their respective permitted transferee(s) (as applicable) shall thereafter cease to have any beneficial interest in such Relevant MCB Conversion Shares; and

- b. before the conversion of the Relevant New MCBs in accordance with the provisions of the MCBs, Mr. Sun will not, and will procure that his Designee(s) do not, sell, assign, transfer, pledge or otherwise dispose of or create any encumbrance over any of the Relevant New MCBs.

For the avoidance of doubt, nothing in the Chairman Undertaking shall restrict Mr. Sun, his Designee(s) or their respective permitted transferee(s) (as applicable) from exercising the conversion right attaching to the Relevant New MCBs in accordance with the provisions of the MCBs. In addition, for the avoidance of doubt, notwithstanding anything to the contrary in the Chairman Undertaking, Mr. Sun, his Designee(s) and their respective permitted transferee(s) (as applicable) shall be entitled to exercise and enjoy all voting rights and dividend rights attached to the Relevant MCB Conversion Shares upon their issuance to Mr. Sun, his Designee(s) or their respective permitted transferee(s) (as applicable) following conversion of the Relevant New MCBs.

The above shall not restrict the ability of Mr. Sun or any of his Designee (s) to transfer some or all of the Relevant New MCBs and/or the conversion shares issuable thereunder to Mr. Sun's affiliate(s), provided that, among others, such affiliate(s) shall, as a condition precedent to receive such Relevant New MCBs and/or conversion shares, agree to the terms set out in the Chairman Undertaking as if it were a party to the Chairman Undertaking.

The Minimum Price and the period of 30 consecutive trading days were determined after arms' length negotiations between the Company and the Initial Consenting Creditors after taking into account, among other things:

1. the effective MCB Conversion Price (calculated by $1/(0.75/6.8+0.25/3.85)/77\%$);

To arrive at such effective MCB Conversion Price, it has been assumed that the principal amount of the MCB 1 to be issued would represent the aggregate of 75% of the Scheme Creditors' Claims and the Consent Fees, and the principal amount of the MCB 2 to be issued would represent 25% of the Scheme Creditors' Claims. In addition, 23% of the MCBs (comprising MCB 1 and MCB 2) attributable to the Scheme Creditors as Restructuring Consideration will be used for the Shareholding Structure Stability Arrangement. The effective MCB Conversion Price only takes into account the portion of MCB that the Scheme Creditors are actually issued, hence the MCB Conversion Price is divided by 77% to arrive at the effective MCB Conversion Price.

2. the share price performance of the Company;
3. the assessment of acceptability of Scheme Creditors towards the terms of the Restructuring with a view to achieving a sustainable capital structure; and
4. the purpose of the Shareholding Structure Stability Arrangement to incentivize Mr. Sun to contribute towards the Group's long-term business recovery and unlock value for the Company and its stakeholders as a whole.

The key observations we note from salient terms of the Chairman Undertaking are: (i) the Restricted Period of six years is substantially longer than the term to maturity of MCB 1 and MCB 2 of 6 months and 30 months, respectively; (ii) the Minimum Price (a) is substantially higher than and represents premiums of approximately 368.35% and 92.20%, respectively, over the RSA Closing Price and the MCB 2 Conversion Price; and (b) represents a premium of approximately 8.8% over the MCB 1 Conversion Price; (iii) Mr. Sun and the Designee(s), when carrying out any Transaction(s), will be subject to the Qualification Condition that he or one of his affiliates shall remain, employed or engaged as the chairman or a member of the Board and/or in another senior managerial position at the Company as at the date that is: (x) the sixth anniversary of the Restructuring Effective Date; or (y) if the Transaction is carried out prior to that date where the relevant conditions are met (i.e. in the scenario set out in sub-paragraph (a)(i) above), the date of the relevant Transaction; (iv) if, at as the date that is the sixth anniversary of the Restructuring Effective Date, the Qualification Condition applies but is not satisfied, then, subject to compliance with all applicable laws and regulations, including (without limitation) the Listing Rules, the Relevant Conversion Shares shall, from that date onwards, be held to the order of the Company; (v) Mr. Sun and the Designee(s) will not be permitted to sell, assign, transfer, pledge or otherwise dispose of or create any encumbrance over any of the Relevant New MCBs, before the conversion of the Relevant New MCBs in accordance with the provisions of the MCBs; (vi) Mr. Sun and the Designee(s) can only sell, assign, transfer, pledge or otherwise dispose of or

create any encumbrance over any of the Relevant MCB Conversion Shares on or after the date that is the sixth anniversary of the Restructuring Effective Date, or the average closing price per Share as quoted on the daily quotation sheets of the Stock Exchange for any period of 30 consecutive trading days (the “**30 Day Observation Period**”) reaches or exceeds the Minimum Price of HK\$7.4 per Share subject to the conditions in the Chairman Undertaking being satisfied (the “**Restrictive Mechanisms of the Shareholding Structure Stability Arrangement**”).

Our expanded commentary on two of the salient terms under the Restrictive Mechanisms of the Shareholding Structure Stability Arrangement, notably the Minimum Price of HK\$7.4 per Share and the 30 Day Observation Period of 30 consecutive trading days, are as follows. We note that the Minimum Price of HK\$7.4 per Share is a high ceiling compared to the prevailing market prices of the Shares, that it represents a premium of approximately 368.35% over the RSA Closing Price of HK\$1.58 per Share and none of the closing Share prices closed above the Minimum Price during the Review Period. The Minimum Price hovers above even the highest closing Share price during the Review Period of HK\$4.60 per Share on 2 October 2024. In light of the above, we consider it prudent to set the Minimum Price at HK\$7.4 per Share to limit Mr. Sun’s Share disposal activities during the relevant lock-up period. Regarding the 30 Day Observation Period, we note that 30 consecutive trading days is one of the medium term time periods commonly adopted by the market in assessing terms of transactions relating to share prices of listed companies. Such kind of moving average over 30 trading days is considered a good indicator that helps to smoothen out the impact of daily dynamic ups and downs in share prices, also referred to as the ‘noise’ of price action while it does not create lag effects commonly found in longer term moving averages. Based on the above, we are of the view that the 30 Day Observation Period is in line with market practice to smoothen out daily noise of the Share prices which would ensure Mr. Sun can only be released from the lock up after the Share price has been able to sustain above the Minimum Price throughout the 30 Day Observation Period, being a reasonably long period of time, so that he would not be released due to short term fluctuations of the Share prices.

To achieve the Stability Arrangement Objectives, conditional Restricted Shares are proposed to be allocated to the Substantial Shareholder as part of the Restructuring. Based on the Shareholding Structure Stability Arrangement and our discussion with the Management, we understand that (i) the Relevant New MCBs will be entirely at the costs of the Scheme Creditors; and (ii) the Shareholding Structure Stability Arrangement would not have any additional impact on the relative dilution effect of the MCB Issue given that upon the full conversion of the MCBs based on the Relative Dilution Effect Assumptions, the resulting shareholding interests of the Other Shareholders and the Relative MCBs Dilution would remain the same. According to the Management, as at 17 April 2025, the Initial Consenting Creditors holding approximately US\$1.3 billion in aggregate principal amount of debt have signed the RSA. As set out in the announcement of the Company dated 24 June 2025, as at the date of such announcement, Consenting Creditors holding approximately 75% of the aggregate outstanding principal amount of the Existing Debt have acceded to the RSA.

According to the Management, under the leadership of Mr. Sun, the Group (i) has always made guaranteed home delivery as its primary operational objective, actively responding to the government's requirement for guaranteed home delivery; and (ii) proactively address debt risks of the Group with marked progress. As disclosed in the 2024 Annual Report, the Group completed the delivery of approximately 170,000 houses in 84 cities in 2024 by unremitting efforts, ranking among the industry leaders. During 2022 to 2024, the Group has cumulatively delivered approximately 668,000 houses. In 2025, the Group plans to spare no effort to deliver houses, substantially completing guaranteed home delivery tasks. On the other hand, the Group completed the Previous Restructuring in 2023 and its success relieved the Company's debt repayment pressure and greatly optimized the Company's capital structure as at 31 December 2023. In 2024, given the market recovery fell significantly short of expectations, the Group developed a comprehensive market-driven restructuring plan for onshore public market debts tailored to its specific circumstances and was supported by multiple parties. As at the date of the 2024 Annual Report, the onshore public market debts restructuring plans have all been considered and approved at the relevant meetings of bondholders. On 17 April 2025, the Group announced and proposed to implement Restructuring so as to provide a fair and equitable solution that maximizes recovery for creditors, while preserving the Group's ability to operate as a going concern and creating a win-win outcome for all stakeholders.

In addition, the Management is of the view that shareholding of Mr. Sun in the Company would be substantially diluted after the Restructuring assuming there is no Shareholding Structure Stability Arrangement, while it is critical to maintain a stable shareholding structure so as to strengthen stakeholder confidence and for the long-term recovery of the business of the Group. As disclosed in the circular of the Company dated 13 June 2023 in relation to the Previous Restructuring (the “**Previous Restructuring Circular**”), Mr. Sun directly and indirectly controlled, through certain corporations (including Sunac International) and in his individual capacity, in approximately 38.75% of the issued Shares as at 9 June 2023, being the latest practicable date of the Previous Restructuring Circular. As at the Latest Practicable Date, Mr. Sun directly and indirectly controlled, through certain corporations (including Sunac International) and in his individual capacity, an aggregate of approximately 23.90% of the issued Shares. With the Shareholding Structure Stability Arrangement and immediately upon full conversion of the MCBs based on the Relative Dilution Effect Assumptions, the shareholding to be held and deemed to be interested by Mr. Sun in the Company would be approximately 23.42%. Without the Shareholding Structure Stability Arrangement and immediately upon full conversion of the MCBs based on the Relative Dilution Effect Assumptions, the shareholding held and deemed to be interested by Mr. Sun in the Company would fall to approximately 11.17%. As explained by the Management, such substantial dilution to Mr. Sun's shareholding in the Company, in the absence of the Shareholding Structure Stability Arrangement, would be unfavorable to the stability of the shareholding structure of the Company. The Shareholding Structure Stability Arrangement seeks to maintain a stable shareholding structure and ensure the continued contribution of Mr. Sun to the Group's ongoing home delivery program, debt risk resolution and long-term business recovery and strengthen stakeholder confidence and better facilitate resource integration. The Shareholding Structure Stability Arrangement can enhance the alignment of the interests of the Company, the Scheme Creditors, the Shareholders and Mr. Sun.

In light of the above and having considered that (i) the Relevant New MCBs will be entirely at the costs of the Scheme Creditors and the Shareholding Structure Stability Arrangement would not have any additional impact on the relative dilution effect of the MCB Issue given that upon the full conversion of the MCBs based on the Relative Dilution Effect Assumptions, the resulting shareholding interests of the Other Shareholders and the Relative MCBs Dilution would remain the same; (ii) Mr. Sun has held a paramount and leading role in the Group's home delivery, debt restructurings and long-term business recovery programs; and (iii) our observation and appraisal of the Restrictive Mechanisms of the Shareholding Structure Stability Arrangement, we are of the view that the Shareholding Structure Stability Arrangement is justifiable and is in the interests of the Company and the Shareholders as a whole.

OPINION AND RECOMMENDATION

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

- (i) the Group recorded consecutive losses attributable to the owners of the Company for FY2021, FY2022, FY2023 and FY2024, with net current liability position of approximately RMB53.52 billion as at 31 December 2024;
- (ii) the current borrowings of the Group as at 31 December 2024 of RMB186.09 billion are due within one year and the substantial amount of the Overdue and Early Repayment, with the pressing need to move forward to achieve the Key Restructuring Objectives;
- (iii) according to the 2024 Annual Report that, the Board has prepared the consolidated financial statements of the Group as at 31 December 2024 on a going concern basis and BDO has given Disclaimer of Opinion on the consolidated financial statements of the Group for FY2024;
- (iv) together with the Petition, the Company is facing pressure on its working capital and liquidity positions and the Restructuring is crucial for the Group to achieve a sustainable capital structure with substantially reduced offshore debts and insolvency risks and stable operating environment to support its long-term business recovery;
- (v) the premiums of the MCB 1 Conversion Price and MCB 2 Conversion Price of approximately 330.38% and approximately 143.67% over the RSA Closing Price;
- (vi) the MCB 1 Conversion Price is significantly above the range of the Share closing prices throughout the Review Period and the MCB 2 Conversion Price is only slightly below the upper bound of the Share closing prices during the Review Period;
- (vii) based on the analysis set out above, we consider the terms of the MCBs to be fair and reasonable and in the interests of the Company and the Shareholders as a whole;

- (viii) the Relative MCBs Dilution is fair and reasonable based on the analysis set out above;
- (ix) the Shareholding Structure Stability Arrangement (i.e. the Relevant New MCBs) will be entirely at the costs of the Scheme Creditors and the Shareholding Structure Stability Arrangement would not have any additional impact on the relative dilution effect of the MCB Issue given that upon the full conversion of the MCBs based on the Relative Dilution Effect Assumptions, the resulting shareholding interests of the Other Shareholders and the Relative MCBs Dilution would remain the same; and
- (x) the Shareholding Structure Stability Arrangement is justifiable and in the interests of the Company and the Shareholders as a whole,

we are of the view that although the Connected MCB Issue and the transactions contemplated thereunder as part of the Restructuring are not conducted in the ordinary and usual course of business of Group but has arisen out of the need to restore the normal course of business of the Group, the terms of the Connected MCB Issue and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable based on current market conditions 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 Connected MCB Issue and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Ignite Capital (Asia Pacific) Limited


Tam Yin Ming Cecilia
Managing Director


Tin Ming Kit
Director

Ms. Tam Yin Ming Cecilia is a Managing Director of Ignite Capital and is licensed under the SFO as a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activity. Ms. Tam has over 15 years of experience in the corporate finance industry and has participated in and completed various financial advisory and independent financial advisory transactions.

Mr. Tin Ming Kit is a Director of Ignite Capital and is licensed under the SFO as a licensed person to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Tin has over 18 years of investment banking and corporate finance experience in Hong Kong and has participated in and completed various initial public offerings, corporate financial advisory and independent financial advisory transactions.

* For identification purposes only