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SUNac 融創中國
SUNAC CHINA HOLDINGS LIMITED
融創中國控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01918)

DISCLOSEABLE TRANSACTION

Harbin Sunac Culture & Tourism (a wholly-owned subsidiary of the Company) and Sun Island Group held 46.67% and 52.8% equity interests in the Target Company respectively.

On 29 November 2024, Harbin Sunac Culture & Tourism, Sun Island Group and the Target Company entered into the Agreement, pursuant to which, Sun Island Group agreed to purchase the 46.67% equity interests in the Target Company held by Harbin Sunac Culture & Tourism (being the Target Equity Interests) at the Consideration of approximately RMB1,021 million. Approximately RMB202.6 million of the Consideration will be utilised to repay the amounts owed to the Target Company by the Group, approximately RMB414 million will be utilised to repay the pledged loan related to the Target Equity Interests, and the remaining approximately RMB404.6 million will be remitted to the government-regulated special account for guaranteeing the delivery of properties in the Group's property development projects in Harbin.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is 5% or more but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

1. BACKGROUND

In December 2019, Harbin Sunac Culture & Tourism entered into a capital increase agreement with the Target Company, pursuant to which, Harbin Sunac Culture & Tourism shall make a capital increase of approximately RMB1,427 million to the Target Company, with a corresponding equity interest of 46.67%. As at the date of this announcement, Harbin Sunac Culture & Tourism has paid a capital increase amount of approximately RMB848 million to the Target Company, with the unpaid capital increase amount of approximately RMB579 million. Therefore, Harbin Sunac Culture & Tourism effectively owns 34.21% interest in the Target Company.

2. THE DISPOSAL

On 29 November 2024, Harbin Sunac Culture & Tourism, Sun Island Group and the Target Company entered into the Agreement, pursuant to which, Sun Island Group agreed to purchase the 46.67% equity interests in the Target Company held by Harbin Sunac Culture & Tourism at the Consideration of approximately RMB1,021 million. The Group is not required to pay the remaining unpaid capital increase amount of approximately RMB579 million.

The Consideration will be paid as follows:

- (i) within 10 working days upon the signing of the Agreement, approximately RMB202.6 million will be paid to the Target Company to repay the amounts owed to the Target Company by the Group;
- (ii) within 10 working days upon the signing of the Agreement, approximately RMB414 million will be utilised to repay the pledged loan related to the Target Equity Interests to release the pledge over the Target Equity Interests; and
- (iii) upon completion of the change in industry and commercial registration regarding the transfer of equity interests, the remaining approximately RMB404.6 million will be remitted to the government-regulated special account for guaranteeing the delivery of properties in the Group's property development projects in Harbin.

Within 10 working days upon the release of the pledge over the Target Equity Interests, the change in industry and commercial registration regarding the transfer of equity interests shall be completed, and the directors appointed by Harbin Sunac Culture & Tourism in the Target Company shall be changed to the designated personnel of Sun Island Group.

The Consideration was determined after arm's length negotiations between the seller and the purchaser, with reference to the value of the Target Company as appraised by Liaoning Pan-China Assets Valuation Co., Ltd., an independent qualified valuer (the "**Independent Qualified Valuer**"). According to the valuation report prepared by the Independent Qualified Valuer, the appraised value of the Target Company was RMB2,985.25 million, which was valued on the basis of the income approach as at the valuation reference date (30 June 2024). The appraised value of the 34.21% interest in the Target Company effectively owned by Harbin Sunac Culture & Tourism was approximately RMB1,021 million.

Valuation Methodology

The Independent Qualified Valuer had considered three generally accepted approaches in the valuation, namely (i) the income approach; (ii) the market approach; and (iii) the asset-based approach.

The market research conducted by the Independent Qualified Valuer indicates that the Target Company's business is primarily focused on ice and snow-featured tourism in winter as well as year-round ice and snow projects. There is a lack of comparable listed companies in the securities market with the same or similar professional types of business as the Target Company, and there is limited publicly available information on similar transaction cases in the non-securities market, making it unsuitable to use the market approach for the valuation. After years of development, the Target Company has had a relatively stable market, with gradually improved internal governance and management capabilities, clear business scope, and accessible operational financial and asset management data. In light of the industry trend and the company's historical operating performance, the Target Company's future profits are foreseeable and quantifiable, and the risks associated with its earnings can be measured, which qualifies it for the asset-based approach and the income approach in the valuation.

After comparing and analysing the reliability of results derived from the two valuation approaches, the valuation results derived from the income approach are relatively more reasonable as they can fully reflect the contributions of all asset elements and their synergistic effects on the company's overall value, based on the characteristics of the tourism industry in which the Target Company operates. Therefore, the income-based valuation result was selected as the appraisal conclusion by the Independent Qualified Valuer.

According to the definition of income approach and actual situation of the Target Company, the Independent Qualified Valuer has adopted the discounting model of Free Cash Flow to Firm (FCFF) under the internationally recognized discounted cash flow (DCF) model to estimate the value of total shareholders' equity.

The key formulae for the valuation are as follows:

- Value of total shareholders' equity = Total enterprise value – Value of interest-bearing debts
- Total enterprise value = Value of operating assets + Value of surplus assets + Value of non-operating assets – Value of non-operating liabilities
- Value of operating assets:
$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + \frac{R_{n+1}}{r(1+r)^n}$$

P: Value of operating assets as at the valuation reference date;

R_i: Expected FCFF for the *i*th year in the definite forecast period;

R_{n+1}: Expected FCFF for every year (stabilization year) of the perpetual period;

r: Discount rate;

n: Definite forecast period;

i: The *i*th year of the forecast period.
- FCFF = Net operating profit after tax + Interest expense after tax + Depreciation and amortization – Capital expenditures – Increase in working capital

The key inputs for the valuation are set out below:

- The definite forecast period for the valuation is 5.5 years;
- Expected FCFF for every year in the definite forecast period and every year (stabilization year) of the perpetual period:

<i>RMB0'000</i>						
Second half of 2024	2025	2026	2027	2028	2029	Stabilization year
11,112	34,651	22,545	29,919	26,976	27,421	26,674

- The valuation has adopted the weighted average cost of capital (WACC) model to determine the discount rate, and the discount rate adopted was 10.27%.

Based on the key formulae above and subject to the valuation assumptions, the value of the operating assets (being the total present value of FCFF) was approximately RMB2,774.94 million, which, plus value of the surplus assets of approximately RMB393.17 million, plus value of the non-operating assets of approximately RMB59.33 million, minus value of the non-operating liabilities of approximately RMB22.09 million, results in a total enterprise value of approximately RMB3,205.34 million. The value of the total shareholders' equity of approximately RMB2,985.25 million was arrived at by deducting value of the interest-bearing debts of approximately RMB220.09 million from the total enterprise value of RMB3,205.34 million.

Sensitivity Analysis of Changes in Key Inputs to the Appraised Value of the Target Company

Details of the sensitivity analysis carried out by the Group in respect of the discount rates adopted in the valuation based on the key inputs are set out below:

RMB0'000

Scenario	Discount rate	Value of total shareholders' equity (EV)	Changes to EV	Percentage changes in EV
Benchmark discount rate +2%	12.27%	255,951	-42,574	-14.26%
Benchmark discount rate +1%	11.27%	275,358	-23,167	-7.76%
Benchmark discount rate	10.27%	298,525	–	0.00%
Benchmark discount rate – 1%	9.27%	326,668	28,143	9.43%
Benchmark discount rate – 2%	8.27%	361,590	63,065	21.13%

Key Assumptions of the Valuation

Details of the key assumptions underlying the valuation report are set out below:

(I) General Assumptions

1. **Transaction Assumption:** It is assumed that all assets to be valued are in the process of transaction as at the valuation reference date, and the valuer will conduct valuation in a simulated market according to the transaction conditions of assets to be valued.
2. **Open Market Assumption:** It is assumed that with respect to the asset traded or to be traded in the market, the transaction parties are equal in position and have opportunity and time to access sufficient market information and their transactions are on a voluntary, rational and non-mandatory, or unrestricted basis.

3. Continuing Operations of Assets Assumption: It is assumed that the assets to be valued can be used continuously based on the intended purpose, method of operation, scale, frequency and environmental conditions, etc. No consideration is given to the conversion of the use of the assets or the use of the assets under the best condition. The valuation results are subject to a restricted scope of applicability.
4. Business Going Concern Assumption: It is assumed that the Target Company will continue to operate and there are no material changes in existing laws, regulations, regimes and social, political and economic policies within the countries and regions that the Target Company shall be subject to during the continuous operation.
5. Assumption of Stable Business Environment: It is assumed that there will be no material changes in the political, economic and social development environment in which the enterprise operates, as well as in the industry development environment and the enterprise's own governance environment.
6. Assumption of Reliability of Underlying Information: It is assumed that the financial and accounting information and other relevant information for the valuation provided by the principal and the Target Company are true, correct, objective, complete, valid, in compliance with the laws and without any false or misleading statement or material omission while making full disclosure of material matters.
7. It is assumed that the exchange rate, interest rate and price level involved in the valuation and estimation fluctuate within a normal range, without taking into account of the effect of inflation.
8. It is assumed that there is no force majeure subsequent to the valuation reference date that would cause material effects on the production and operation of the Target Company.

(II) Special Assumptions

1. It is assumed that the accounting policies adopted by the Target Company in the future are consistent with the accounting policies adopted at the time of the preparation of the valuation report.

2. Expectations on the Target Company's operating conditions are based solely on the business plans, management modes and levels determinable as at the valuation reference date, without taking into account the impact of unforeseen material changes in business management capabilities and scale of operations that may result from significant events such as material changes in business models and business strategies and additional investments in the future. It is assumed that there will be no material changes in the future in the Target Company's business plans, management modes and levels determinable as at the valuation reference date in this valuation.
3. It is assumed that the Target Company's management and core team will remain stable and competent in managing the enterprise and will be able to realise profits and promote the development of the enterprise in accordance with the predetermined plan.
4. It is assumed that the qualification certificates related to the Target Company's operations can be renewed upon expiration and that the Target Company is able to operate as a going concern.
5. It is assumed that the operating cashflow of the Target Company will occur evenly during the year.
6. It is assumed that the ownership of the assets included in the assessment scope is clear, complete and flawless.
7. It is assumed that the land use rights occupied by the Target Company for production and operations can be obtained in a legal, compliant and timely manner.
8. It is assumed that the assets included in the assessment scope have no defects other than those already identified that may affect their quality, use and ownership.

3. FINANCIAL EFFECT OF THE DISPOSAL

Immediately following the completion of the Disposal, the Group will cease to own any equity interest in the Target Company. The Group expects to record an unaudited gain before taxation of approximately RMB173 million on the Disposal, which is calculated with reference to the difference between the Consideration and the book value of the long-term equity investment of the Target Equity Interests as at 30 June 2024. The actual amount of gain on the Disposal is subject to review by the auditors of the Company.

4. REASONS FOR AND BENEFITS OF THE DISPOSAL

The recovery of investment through the Disposal will provide solid support to the Group for guaranteeing the delivery of properties in its property development projects in Harbin. The investment of the Group in the Target Company is a minority investment and is not the core business of the ice and snow segment. The Disposal will not affect the long-term planning and development of the Group's ice and snow segment.

The Directors (including the independent non-executive Directors) consider that the Disposal is on normal commercial terms, fair and reasonable and in the interests of the Company and its stakeholders as a whole.

5. INFORMATION OF THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability and owns two major cultural and tourism brands, namely Harbin Ice-Snow World and Harbin International Beer Festival, and is principally engaged in the businesses of snow and ice landscape display, snow and ice resources development, tourism infrastructure construction, tourist attraction management and other businesses. Prior to the completion of the Disposal, Harbin Sunac Culture & Tourism and Sun Island Group held 46.67% and 52.8% equity interests in the Target Company, respectively.

The audited consolidated net assets of the Target Company as at 30 June 2024 amounted to approximately RMB1,687 million and the audited profits/losses for the two years ended 31 December 2023 are as follows:

	For the year ended 31 December 2023 (RMB'0,000)	For the year ended 31 December 2022 (RMB'0,000)
Profits (losses) before taxation	16,838	(4,739)
Profits (losses) after taxation	13,389	(4,725)

6. INFORMATION ON THE PARTIES TO THE DISPOSAL

Sun Island Group is principally engaged in investment in tourism projects. As at the date of this announcement, Sun Island Group is indirectly held as to approximately 99% by the State-owned Assets Supervision and Administration Commission of the Harbin Municipal People's Government. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Sun Island Group and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Harbin Sunac Culture & Tourism is principally engaged in amusement park services, tourism and commercial investment. As at the date of this announcement, Harbin Sunac Culture & Tourism is indirectly and wholly owned by the Company.

The Company is an investment holding company and operates its business via its subsidiaries. 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 the 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.

7. IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is 5% or more but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

8. DEFINITIONS

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

“Agreement”	the agreement dated 29 November 2024 entered into by Harbin Sunac Culture & Tourism, Sun Island Group and the Target Company in relation to the Disposal (as supplemented and amended from time to time)
“Board”	the board of Directors
“Company”	Sunac China Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 01918)
“Consideration”	the total consideration for the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	Sun Island Group purchasing the Target Equity Interests in accordance with the Agreement
“Group”	the Company and its subsidiaries

“Harbin Sunac Culture & Tourism”	Harbin Sunac Culture & Tourism Industry Co., Ltd.* (哈爾濱融創文旅產業有限公司), a company established in the PRC with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sun Island Group”	Harbin Sun Island Group Co., Ltd.* (哈爾濱太陽島集團有限公司), a company established in the PRC with limited liability
“Target Company”	Harbin Ice and Snow World Park Limited By Share Ltd* (哈爾濱冰雪大世界股份有限公司), a company established in the PRC with limited liability, and an associate of the Company
“Target Equity Interests”	46.67% of the equity interests in the Target Company held by Harbin Sunac Culture & Tourism as at the date of the Agreement
“%”	per cent

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

Hong Kong, 29 November 2024

As at the date of this announcement, the executive directors of the Company are Mr. SUN Hongbin, Mr. WANG Mengde, Ms. MA Zhixia, Mr. TIAN Qiang, Mr. HUANG Shuping and Mr. SUN Kevin Zheyi; the non-executive director of the Company is Mr. LAM Wai Hon; and the independent non-executive directors of the Company are Mr. POON Chiu Kwok, Mr. ZHU Jia, Mr. MA Lishan and Mr. YUAN Zhigang.

* *For identification purposes only*