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SUNAC CHINA HOLDINGS LIMITED

融創中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1918)

MAJOR TRANSACTION IN RELATION TO INVESTMENT IN TARGET SHARES OF LESHI INTERNET, LESHI PICTURES AND LESHI ZHIXIN

INVESTMENT

The Board is pleased to announce that on 13 January 2017, (i) Tianjin Jiarui entered into the Leshi Internet SP Agreement with Mr. Jia pursuant to which Mr. Jia conditionally agreed to sell, and Tianjin Jiarui (or its designees) conditionally agreed to acquire, 8.61% equity interest in Leshi Internet at a consideration of RMB6,041,466,076.73; (ii) Tianjin Jiarui entered into the Leshi Pictures SP Agreement with Leshi Holding and Mr. Jia pursuant to which Leshi Holding conditionally agreed to sell, and Tianjin Jiarui (or its designees) conditionally agreed to acquire, 15% equity interest in Leshi Pictures at a consideration of RMB1,050,000,000; (iii) Tianjin Jiarui entered into the Leshi Zhixin SP Agreements and the Leshi Zhixin Capital Increase Agreement with Leshi Internet, Xinle Asset, Mr. Jia and Leshi Zhixin pursuant to which Tianjin Jiarui (or its designees) conditionally agreed to acquire in aggregate 33.4959% equity interest in Leshi Zhixin upon completion of the capital increase at a consideration of RMB7,950,000,000.

On 10 January 2017, Sunac Real Estate, an indirect wholly-owned subsidiary of the Company, entered into the Contractual Arrangements with Tianjin Yingrui and/or Tianjin Jiarui and/or the Registered Shareholders pursuant to which Sunac Real Estate shall beneficially own the Target Shares to be acquired by Tianjin Jiarui under the Acquisition Agreements and the economic interest thereof.

Upon completion of the Investment, Tianjin Jiarui (or its designees) will hold 8.61% equity interest in Leshi Internet, 15% equity interest in Leshi Pictures and 33.4959% equity interest in Leshi Zhixin at an aggregate consideration of RMB15,041,466,076.73. Each of Leshi Internet, Leshi Pictures and Leshi Zhixin will become an associate of the Company upon completion of the Investment.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Investment exceed 25% and all of such ratios are less than 100%, the Investment constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

WRITTEN SHAREHOLDER'S APPROVAL

Pursuant to Rule 14.44 of the Listing Rules, in lieu of a resolution to be passed at a general meeting of the Company, written shareholders' approval for the Investment has been obtained from the controlling shareholder of the Company, namely Sunac International, who held 2,042,623,884 Shares, representing approximately 52.92% of the issued share capital of the Company as at the date of this announcement. To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, none of the Shareholders has any material interest in the Investment and therefore no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the Investment.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, (i) details of the Investment and the Acquisition; (ii) financial information of the Group; and (iii) financial information of the Target Companies, shall be despatched within 15 business days after publication of this announcement. As more time is required to prepare the financial information to be included in the circular, the Company will apply for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules from the Stock Exchange so that the despatch date of the circular can be postponed to a date more than 15 business days after publication of this announcement, which is expected to be on or before 30 April 2017.

INVESTMENT

The Board is pleased to announce that on 13 January 2017, (i) Tianjin Jiarui entered into the Leshi Internet SP Agreement with Mr. Jia pursuant to which Mr. Jia conditionally agreed to sell, and Tianjin Jiarui (or its designees) conditionally agreed to acquire, 8.61% equity interest in Leshi Internet at a consideration of RMB6,041,466,076.73; (ii) Tianjin Jiarui entered into the Leshi Pictures SP Agreement with Leshi Holding and Mr. Jia pursuant to which Leshi Holding conditionally agreed to sell, and Tianjin Jiarui (or its designees) conditionally agreed to acquire, 15% equity interest in Leshi Pictures at a consideration of RMB1,050,000,000; (iii) Tianjin Jiarui entered into the Leshi Zhixin SP Agreements

and the Leshi Zhixin Capital Increase Agreement with Leshi Internet, Xinle Asset, Mr. Jia and Leshi Zhixin pursuant to which Tianjin Jiarui (or its designees) conditionally agreed to acquire in aggregate 33.4959% equity interest in Leshi Zhixin upon completion of the capital increase at a consideration of RMB7,950,000,000.

On 10 January 2017, Sunac Real Estate, an indirect wholly-owned subsidiary of the Company, entered into the Contractual Arrangements with Tianjin Yingrui and/or Tianjin Jiarui and/or the Registered Shareholders pursuant to which Sunac Real Estate shall beneficially own the Target Shares to be acquired by Tianjin Jiarui under the Acquisition Agreements and the economic interest thereof.

Upon completion of the Investment, Tianjin Jiarui (or its designees) will hold 8.61% equity interest in Leshi Internet, 15% equity interest in Leshi Pictures and 33.4959% equity interest in Leshi Zhixin at an aggregate consideration of RMB15,041,466,076.73. Each of Leshi Internet, Leshi Pictures and Leshi Zhixin will become an associate of the Company upon completion of the Investment.

Details of the Acquisition Agreements and the Contractual Arrangements are set out below.

THE LESHİ INTERNET SP AGREEMENT

Date

13 January 2017

Parties

- (i) Mr. Jia; and
- (ii) Tianjin Jiarui.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, Mr. Jia is independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

Assets to be acquired

Mr. Jia conditionally agreed to sell, and Tianjin Jiarui (or its designees) conditionally agreed to acquire, 170,711,107 non-restricted outstanding shares in Leshi Internet, representing 8.61% of the issued shares of Leshi Internet as at the date of this announcement.

Consideration and basis of consideration

The consideration per share payable by Tianjin Jiarui for the Leshi Internet Interest is RMB35.39 and the aggregate consideration payable for it is RMB6,041,466,076.73.

The consideration was arrived at after arm's length negotiations between the parties principally with reference to the trading price of Leshi Internet before suspension of trading in open markets, taking into account the market value of the assets attributable to 8.61% equity interest in Leshi Internet.

The consideration payable by Tianjin Jiarui for the Leshi Internet Interest will be paid by the proceeds of loans which will in turn be funded by the internal resources of the Group to Tianjin Jiarui directly or indirectly by way of loans.

Payment of consideration and conditions precedent to payment of consideration

Payment of consideration for the Leshi Internet Interest is conditional upon and subject to the fulfillment (or waiver by Tianjin Jiarui) of the following conditions:

- (1) all the documents required for the transactions contemplated under the Leshi Internet SP Agreement having been duly executed and remaining in effect;
- (2) Tianjin Jiarui having completed its due diligence on Leshi Internet and related parties and there being no material deviation in the due diligence results from Mr. Jia's and Leshi Internet's disclosures;
- (3) Mr. Jia's representations and warranties in the Leshi Internet SP Agreement remaining true, accurate and complete;
- (4) there being no material adverse change (or impact) affecting the Leshi Internet Interest, Leshi Internet or the performance of the Leshi Internet SP Agreement; and
- (5) there being no litigation, arbitration, administrative proceedings, court judgment, governmental orders or law (i) prohibiting or restricting the transactions contemplated under the Leshi Internet SP Agreement, affecting completion thereof, or having material adverse impact thereon; (ii) whereby Tianjin Jiarui will be legally liable or subject to serious penalty as a result of completing the transactions contemplated under the Leshi Internet SP Agreement or (iii) restricting the operations of Tianjin Jiarui or Leshi Internet and thereby constituting a material adverse change.

Subject to the fulfillment (or waiver) of the above payment conditions, Tianjin Jiarui shall pay all the consideration to Mr. Jia's account within five business days of the entering into of the Leshi Internet SP Agreement, RMB3,000,000,000 of which will be prioritized for the purposes of releasing the pledge created over the Leshi Internet Interest, and Tianjin Jiarui is entitled to supervise the use of such fund.

Completion and conditions precedent to completion

The transactions contemplated under the Leshi Internet SP Agreement are conditional upon the Company having obtained all necessary approvals as required under the Listing Rules.

Mr. Jia shall arrange for the registration of the transfer of the Leshi Internet Interest to be completed before 26 January 2017 (or such other date as may be agreed by the parties in writing). Upon completion of the transactions contemplated under the Leshi Internet SP Agreement, Leshi Internet will be owned as to 8.61% by Tianjin Jiarui (or its designees) and will become an associate of the Company.

Management rights

- (1) Within 30 days of completion of the transactions contemplated under the Leshi Internet SP Agreement, Mr. Jia shall procure that the board of Leshi Internet shall comprise five directors and Tianjin Jiarui shall be entitled to nominate one non-independent director and one independent director to the board of Leshi Internet. Mr Jia undertakes to vote in favor of director nomination of Tianjin Jiarui.
- (2) The board shall establish as sub-committees the Investment Decision-making Committee and the Management Committee. Tianjin Jiarui has the right to nominate one member for the Investment Decision-making Committee and one member for the Management Committee. Mr. Jia undertakes to and shall cause the directors nominated by him to vote for the resolutions on nominating members of the Investment Decision-making Committee and the Management Committee of Tianjin Jiarui.
- (3) Tianjin Jiarui shall be entitled to nominate one finance manager.
- (4) Tianjin Jiarui or its designated party has the right to appoint one supervisor to Leshi's core companies under the cellphone segment, including Leshi Mobile Intelligent Information & Technology (Beijing) Co., Ltd. (樂視移動智能信息技術(北京)有限公司) and Leshi Cellphone E-Commerce (Beijing) Company Limited (樂視手機電子商務(北京)有限公司).

In the event that the interests of Tianjin Jiarui, including its associates' interests, are reduced below 5% in Leshi Internet, Tianjin Jiarui shall no longer have the aforesaid nomination rights unless such reduction is not due to Tianjin Jiarui's acts.

Undertakings

Mr. Jia undertakes to Tianjin Jiarui, among other things, that within a reasonable period of time (not exceeding 12 months, but the aforesaid period may be extended gracefully with the prior consent by Tianjin Jiarui in writing) following completion of the transactions contemplated under the Leshi Internet SP Agreement, Mr. Jia shall decrease the pledge ratio of its shares in Leshi Internet to 50% or below, and he shall ensure the pledge ratio of the shares held by him in Leshi Internet to be maintained at 50% or below thereafter.

THE LESH I PICTURES SP AGREEMENT

Date

13 January 2017

Parties

- (i) Mr. Jia;
- (ii) Leshi Holding; and
- (iii) Tianjin Jiarui.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, each of Mr. Jia and Leshi Holding and its ultimate beneficial owners is independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

Assets to be acquired

Leshi Holding conditionally agreed to sell, and Tianjin Jiarui (or its designees) conditionally agreed to acquire, 15% equity interest in Leshi Pictures.

Consideration and basis of consideration

The consideration payable by Tianjin Jiarui for the Leshi Pictures Interest is RMB1,050,000,000.

The consideration was arrived at after arm's length negotiations between the parties principally with reference to the market value attributable to 15% equity interest in Leshi Pictures.

The consideration payable by Tianjin Jiarui for the Leshi Pictures Interest will be paid by the proceeds of loans which will in turn be funded by the internal resources of the Group to Tianjin Jiarui directly or indirectly by way of loans.

Payment of consideration and conditions precedent to payment of consideration

Payment of consideration for the Leshi Pictures Interest is conditional upon and subject to the fulfillment (or waiver by Tianjin Jiarui) of the following conditions:

- (1) all the documents required for the transactions contemplated under the Leshi Pictures SP Agreement having been duly executed and remaining in effect;
- (2) Leshi Pictures having completed all the internal approval process required for the purposes of completing the transactions under the Leshi Pictures SP Agreement including board and shareholder approvals and waiver of pre-emptive right by other shareholders;
- (3) completion of the registration of the transfer of the Leshi Pictures Interest;
- (4) Tianjin Jiarui having completed its due diligence on Leshi Pictures and related parties and there being no material deviation in the due diligence results from Leshi Holding's, Mr. Jia's and Leshi Pictures' disclosures;
- (5) Leshi Holding's and Mr. Jia's representations and warranties in the Leshi Pictures SP Agreement remaining true, accurate and complete;
- (6) there being no material adverse change (or impact) affecting the Leshi Pictures Interest or the performance of the Leshi Pictures SP Agreement;

(7) there being no litigation, arbitration, administrative proceedings, court judgment, governmental orders or law (i) prohibiting or restricting the transactions contemplated under the Leshi Pictures SP Agreement, affecting completion thereof, or having material adverse impact thereon; (ii) whereby Tianjin Jiarui will be legally liable or subject to serious penalty as a result of completing the transactions contemplated under the Leshi Pictures SP Agreement or (iii) restricting the operations of Tianjin Jiarui or Leshi Pictures and thereby constituting a material adverse change.

Tianjin Jiarui shall pay all the consideration to Leshi Holding on the later of (i) 10 March 2017 or (ii) the date on which the above payment conditions are fulfilled (or waived).

Completion and conditions precedent to completion

The transactions contemplated under the Leshi Pictures SP Agreement are conditional upon the Company having obtained all necessary approvals as required under the Listing Rules.

Leshi Holding and Mr. Jia shall arrange for the registration of the transfer of the Leshi Pictures Interest to be completed before 26 January 2017 (or such other date as may be agreed by the parties). Upon completion of the transactions contemplated under the Leshi Pictures SP Agreement, Leshi Pictures will be owned as to 15% by Tianjin Jiarui (or its designees) and will become an associate of the Company.

Management rights

The new board of Leshi Pictures shall comprise seven directors. Tianjin Jiarui shall be entitled to nominate one director to the new board of Leshi Pictures, and Tianjin Jiarui shall be entitled to nominate one finance manager.

Undertakings

Leshi Holding and Mr. Jia undertake, among other things, to procure before 31 December 2017 (or such other date as may be agreed by the parties) the completion of the injection of all the equity interest in Leshi Pictures into Leshi Internet (unless the delay is caused by the CSRC or related regulatory authorities).

THE LESHI ZHIXIN SP AGREEMENTS AND THE LESHI ZHIXIN CAPITAL INCREASE AGREEMENT

Date

13 January 2017

Parties to the Leshi Zhixin SP Agreement A

- (i) Mr. Jia;
- (ii) Leshi Internet;
- (iii) Leshi Zhixin; and
- (iv) Tianjin Jiarui.

Parties to the Leshi Zhixin SP Agreement B

- (i) Mr. Jia;
- (ii) Xinle Asset;
- (iii) Leshi Zhixin; and
- (iv) Tianjin Jiarui.

Parties to the Leshi Zhixin Capital Increase Agreement

- (i) Mr. Jia;
- (ii) Leshi Zhixin; and
- (iii) Tianjin Jiarui.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, each of Mr. Jia, Leshi Internet, Xinle Asset and Leshi Zhixin and their respective ultimate beneficial owners is independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

Assets to be acquired

- (a) Under the Leshi Zhixin SP Agreement A, Leshi Internet conditionally agreed to sell, and Tianjin Jiarui (or its designees) conditionally agreed to acquire, 10.3964% equity interest in Leshi Zhixin (on a pre-capital increase basis).
- (b) Under the Leshi Zhixin SP Agreement B, Xinle Asset conditionally agreed to sell, and Tianjin Jiarui (or its designees) conditionally agreed to acquire, 15.7102% equity interest in Leshi Zhixin (on a pre-capital increase basis).
- (c) Under the Leshi Zhixin Capital Increase Agreement, Tianjin Jiarui (or its designees) conditionally agreed to subscribe for 10% equity interest in Leshi Zhixin (on a post-capital increase basis).

Therefore, Tianjin Jiarui (or its designees) will acquire in aggregate 33.4959% equity interest in Leshi Zhixin (on a post-capital increase basis).

Consideration

- (a) Under the Leshi Zhixin SP Agreement A, the consideration payable by Tianjin Jiarui to Leshi Internet for the 10.3964% equity interest in Leshi Zhixin (on a pre-capital increase basis) is RMB2,301,760,000.
- (b) Under the Leshi Zhixin SP Agreement B, the consideration payable by Tianjin Jiarui to Xinle Asset for the 15.7102% equity interest in Leshi Zhixin (on a pre-capital increase basis) is RMB2,648,240,000.
- (c) Under the Leshi Zhixin Capital Increase Agreement, Tianjin Jiarui conditionally agreed to contribute the capital of RMB3,000,000,000 to subscribe for equity interest in Leshi Zhixin, of which RMB 31,245,271 will be accounted for as the registered capital, representing 10% equity interest in Leshi Zhixin (on a post-capital increase basis) and the remaining balance of RMB 2,968,754,729 will be accounted for as capital reserve.

As a result, the total consideration is RMB7,950,000,000.

The consideration was arrived at after arm's length negotiations between the parties principally with reference to the market value attributable to 33.4959% equity interest in Leshi Zhixin after capital increase and taking into account of the Investment as a whole.

The consideration payable by Tianjin Jiarui for the relevant Leshi Zhixin Interest will be paid by the proceeds of loans which in turn will be funded by the internal resources of the Group to Tianjin Jiarui directly or indirectly by way of loans.

Payment of consideration and conditions precedent to payment of consideration

Payment of consideration for the relevant Leshi Zhixin Interest under the relevant Leshi Zhixin SP Agreements and the Leshi Zhixin Capital Increase Agreement is conditional upon and subject to the fulfillment (or waiver by Tianjin Jiarui) of the following conditions:

- (1) all the documents required for the transactions contemplated under the relevant Leshi Zhixin SP Agreement and the Leshi Zhixin Capital Increase Agreement (as the case may be) having been duly executed and remaining in effect;
- (2) (in the case of payment of consideration under the Leshi Zhixin SP Agreement A only) Leshi Internet having obtained all internal approval process required for the purposes of completing the transactions under the Leshi Zhixin SP Agreement A including board and shareholder approvals;
- (3) Leshi Zhixin having completed all the internal approval process required for the purposes of completing the transactions under the relevant Leshi Zhixin SP Agreement and the Leshi Zhixin Capital Increase Agreement (as the case may be) including board and shareholder approvals and waiver of pre-emptive right by other shareholders;
- (4) completion of the registration of the transfer of the relevant Leshi Zhixin Interest;
- (5) Tianjin Jiarui having completed its due diligence on Leshi Zhixin and related parties and there being no material deviation in the due diligence results from the disclosures provided to Tianjin Jiarui;
- (6) the representations and warranties of Leshi Internet or Xinle Asset or Leshi Zhixin (as the case may be) and Mr. Jia in the relevant Leshi Zhixin SP Agreement and the Leshi Zhixin Capital Increase Agreement (as the case may be) remaining true, accurate and complete;
- (7) there being no material adverse change (or impact) affecting the relevant Leshi Zhixin Interest or the performance of the relevant Leshi Zhixin SP Agreement or Leshi Zhixin Capital Increase Agreement (as the case may be);
- (8) there being no litigation, arbitration, administrative proceedings, court judgment, governmental orders or law (i) prohibiting or restricting the transactions contemplated under the relevant Leshi Zhixin SP Agreement and the Leshi Zhixin Capital Increase Agreement, affecting completion thereof, or having material adverse impact thereon; (ii) whereby Tianjin Jiarui will be legally liable or subject to serious penalty as a result of completing the

transactions contemplated under the relevant Leshi Zhixin SP Agreement or Leshi Zhixin Capital Increase Agreement (as the case may be) or (iii) restricting the operations of Tianjin Jiarui or Leshi Zhixin and thereby constituting a material adverse change.

Tianjin Jiarui shall pay the consideration for the relevant Leshi Zhixin Interest on the later of (i) 30 April 2017 (in the case of the Leshi Zhixin SP Agreement A) or 10 March 2017 (in the case of the Leshi Zhixin SP Agreement B) or (ii) the date on which the above conditions precedent to payment of consideration are fulfilled (or waived). As for the Leshi Zhixin Capital Increase Agreement, Tianjin Jiarui shall make all payments for the capital increase by 15 June 2017.

Completion and conditions precedent to completion

The transactions contemplated under the Leshi Zhixin SP Agreement A, Leshi Zhixin SP Agreement B and the Leshi Zhixin Capital Increase Agreement are conditional upon the Company having obtained all necessary approvals as required under the Listing Rules.

Leshi Internet or Xinle Asset or Leshi Zhixin (as the case may be) and Mr. Jia shall arrange for the registration of the transfer of the relevant Leshi Zhixin Interest or registration of capital increase (as the case may be) to be completed (1) before 15 March 2017 (in the case of the Leshi Zhixin SP Agreement A); (2) before 26 January 2017 (in the case of the Leshi Zhixin SP Agreement B); and (3) before 15 March 2017 (in the case of the Leshi Zhixin Capital Increase Agreement).

Management rights

Pursuant to the terms of the Leshi Zhixin SP Agreement B, the board of Leshi Zhixin shall comprise three directors. Tianjin Jiarui shall be entitled to nominate one director to the board of Leshi Zhixin, and Tianjin Jiarui shall be entitled to nominate one finance manager for Leshi Zhixin.

Undertakings

Pursuant to the terms of the Leshi Zhixin SP Agreements and the Leshi Zhixin Capital Increase Agreement, Leshi Internet or Xinle Asset or Leshi Zhixin (as the case may be) and Mr. Jia, undertake, among other things, to procure (i) the completion of filing with the CSRC regarding the reorganization of the equity interest in Leshi Zhixin not held by Leshi Internet into Leshi Internet before 31 December 2019; and (ii) the reorganization of the equity interest in Leshi Zhixin not held by Leshi Internet into Leshi Internet before 30 September 2020 (or such other date as may be agreed by the parties) unless the delay is caused by the CSRC or related regulatory authorities.

Strategic cooperation

The parties undertake that they will make full use of their respective resources to carry out all-round cooperation in areas including but not limited to intelligent hardware, the Internet, real estate, smart home, intelligent community so as to further consolidate both parties' leading positions in their respective industries. The Company will become the sole partner of Leshi Companies in real estate sector. The parties will carry out all-round cooperation in the real estate industry (including but not limited to the film and television industry, automobile industry, sports industry and Internet ecology) to leverage their respective advantages and achieve win-win. Meanwhile, the relevant parties undertake to Tianjin Jiarui that upon completion of the Investment, Tianjin Jiarui will have the priority investment right with respect to other shares of Leshi Companies.

INFORMATION ON THE TARGET COMPANIES

Background information of the Target Companies

Leshi Internet

Leshi Internet is a limited company established in the PRC in 2004. Leshi Internet has the PRC's leading Internet content copyright library, content production capacity and cloud video platform and owns a controlling stake in the largest smart TV company in the PRC. It has built a unique Internet video ecological system of "platform+content+hardware+software+application".

Leshi Pictures

Leshi Pictures is a company established in the PRC with limited liability in 2011 whose principal business activity is film production, film publicity and release, copyright operations and business development.

In 2016, Leshi Pictures participated in a total of 11 movies, including by means of investment, production, distribution, etc., with the total box office of over HK\$100 million for each film, ranking first in the industry in respect of the number of movies with the total box office of over HK\$100 million. Leshi Pictures received the total box office of HK\$3.95 billion for its participation in the 11 movies, ranking second in the industry. It recorded an increase of 73.7% in the total box office compared with the HK\$2.274 billion in 2015, becoming the fastest growing company in the industry.

Leshi Zhixin

Leshi Zhixin is a subsidiary of Leshi Internet, a listed company, and is engaged in the business of the research and development, production and sales of intelligent Internet TV under the brand of Leshi Super TV and carries the big screen ecological business of Leshi Internet. Since the launch of Super TV in the market, as of the end of 2016, users of Leshi big screen had exceeded 10 million, which truly realized the coverage of 10 million home users and formed extremely strong user viscosity. Currently, Leshi Super TV has entered the first camp for TV sales brands and is the first brand for intelligent TV. In the future, with the continued hot sales of Super TV and backing by the rich video content of Leshi Internet, Leshi Zhixin will conduct a variety of businesses such as advertising operations, online distribution, application distribution, big screen games and big screen shopping based on high performance big screen intelligent TV and large user groups and realize profits by diversified means.

Financial information of the Target Companies

Leshi Internet

The unaudited combined net assets value of Leshi Internet as at 30 June 2016 was RMB5,051,137,471.45. The audited combined financial information of Leshi Internet for the two years ended 31 December 2014 and 2015 was as follows:

	For the year ended 31 December 2014	For the year ended 31 December 2015
	<i>RMB</i>	<i>RMB</i>
Net profit (before taxation and extraordinary items)	128,796,580.88	217,116,825.56
Net profit (after taxation and extraordinary items)	109,810,786.47	199,022,444.20

Leshi Pictures

The unaudited combined net assets value of Leshi Pictures as at 31 December 2015 was RMB2,108,627,000. The unaudited combined financial information of Leshi Pictures for the two years ended 31 December 2014 and 2015 was as follows:

	For the year ended 31 December 2014	For the year ended 31 December 2015
	<i>RMB</i>	<i>RMB</i>
Net profit (before taxation and extraordinary items)	-890,663,050.80	-102,009,375.56
Net profit (after taxation and extraordinary items)	62,587,529.13	128,166,992.74

Leshi Zhixin

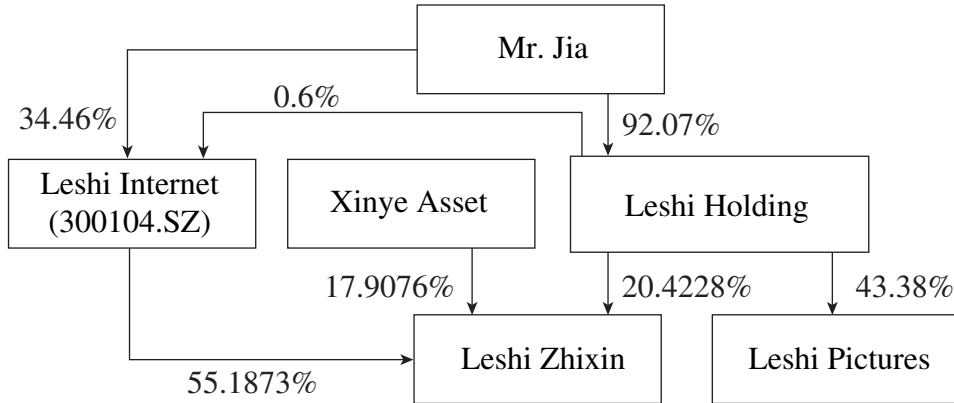
The unaudited combined net assets value of Leshi Zhixin as at 30 June 2016 was RMB-238,032,697.67. The audited combined financial information of Leshi Zhixin for the two years ended 31 December 2014 and 2015 was as follows:

	For the year ended 31 December 2014	For the year ended 31 December 2015
	<i>RMB</i>	<i>RMB</i>
Net profit (before taxation and extraordinary items)	-386,338,211.59	-730,518,771.38
Net profit (after taxation and extraordinary items)	-385,792,330.15	-730,562,683.88

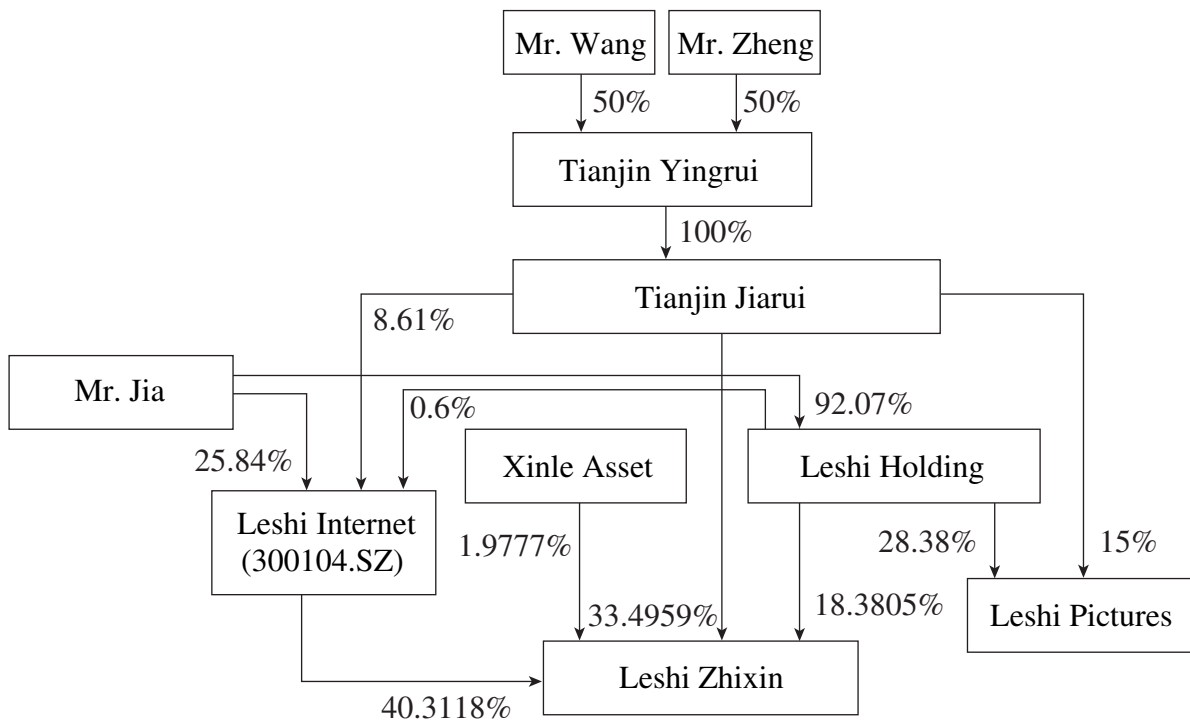
DIAGRAM OF THE TRANSACTIONS CONTEMPLATED UNDER THE ACQUISITION

The following simplified diagram illustrates the transactions contemplated under the Acquisition Agreements:

Before the Acquisition:



After the Acquisition:



INFORMATION ON THE CONTRACTUAL ARRANGEMENTS

Introduction

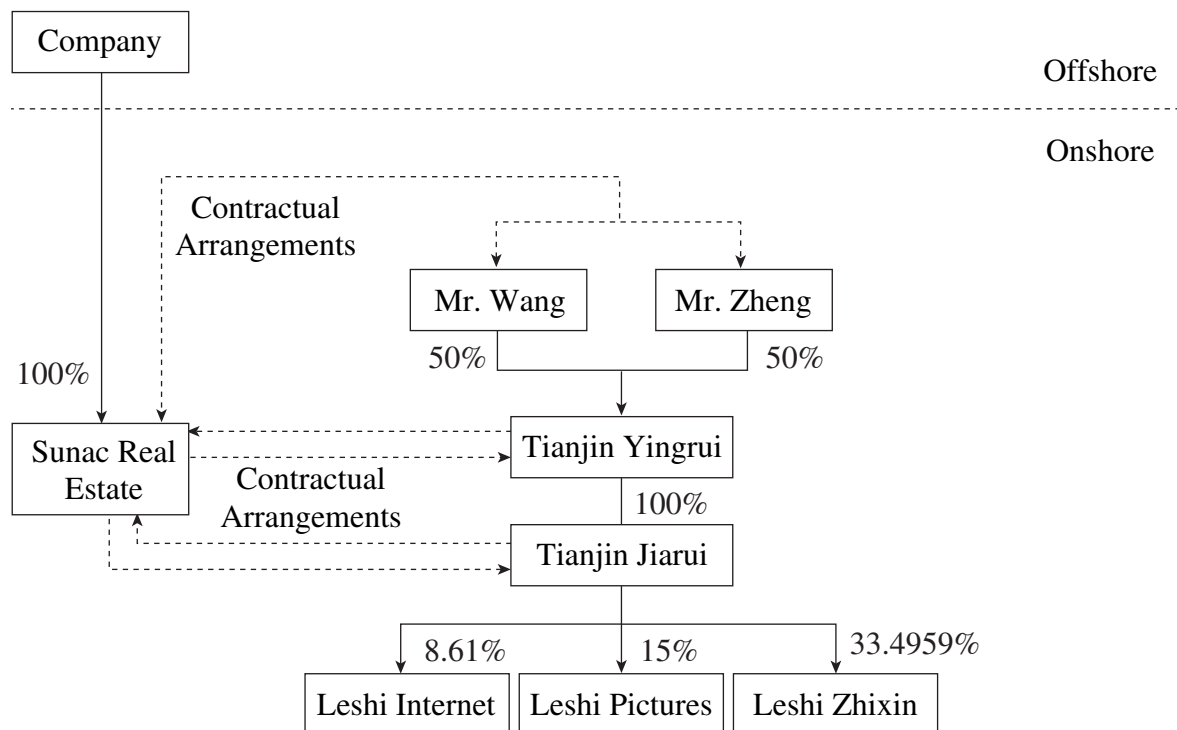
Leshi Internet is engaged in advertising services based on the whole network video industry (the video platform advertising), terminal services (i.e., revenue from intelligent terminal products sold by the company), membership and distribution services (including revenue from paid offerings, copyright services and teleplay release) and other services (i.e., those services that generate less revenue and have not been built up to enough scale, such as cloud video platform services and technological development services). Leshi Pictures is engaged in film production, film publicity and release, copyright operations and business development, and Leshi Zhixin is engaged in the business of Le TV terminal services.

According to the applicable laws and regulations of the PRC, there are restrictions on foreign investment in certain businesses in the existing business and the future business of Leshi Internet, Leshi Pictures and Leshi Zhixin. For those areas where foreign investment is prohibited according to the Foreign Investment Guidance Catalogue (《外商投資指導目錄》), foreign investors or their foreign-invested enterprises established in the PRC shall not invest. As such, the Group will invest in such businesses through the Contractual Arrangements.

The Contractual Arrangements entered into by Sunac Real Estate are: (i) the Exclusive Technology Consulting and Services Agreement; (ii) the Entrustment Agreements; (iii) the Exclusive Option Agreements; (iv) the Loan Agreements; (v) the Equity Pledge Agreements; and (vi) the confirmation letters from the spouses of the Registered Shareholders.

The Company's PRC Legal Adviser is of the opinion that except certain terms of the Contractual Arrangements as set out in the paragraph headed "Risks relating to the Investment — Certain terms of the Contractual Arrangements may not be enforceable under PRC laws" below, the Contractual Arrangements entered into by Sunac Real Estate are legally binding on and enforceable against each party of each of the agreements in accordance with their terms and provisions under PRC laws and regulations. The Directors therefore believe that save as disclosed, the Contractual Arrangements are enforceable under the relevant laws and regulations in the PRC, and that the Contractual Arrangements provide a mechanism that protects Sunac Real Estate in its acquisition of the economic interest over the relevant Target Shares.

The following simplified diagram illustrates the flow of economic benefits in the Target Shares from Tianjin Jiarui to Sunac Real Estate stipulated under the Contractual Arrangements:



(i) Exclusive Technology Consulting and Services Agreement

Sunac Real Estate and Tianjin Jiarui entered into the Exclusive Technology Consulting and Services Agreement, pursuant to which Tianjin Jiarui agrees to engage Sunac Real Estate as its exclusive consultant and service provider. Accordingly, Sunac Real Estate shall provide advice and recommendations to Tianjin Jiarui in respect of, among others, (i) consulting services on the management and operations of Tianjin Jiarui; (ii) consulting services on market research and marketing strategies; (iii) technical consulting services on processor maintenance and internet platform operating strategies; (iv) services on research and development of software products and system maintenance; (v) leasing of computers and other operating equipment to Tianjin Jiarui; (vi) services on brand promotion and management; (vii) authorising Tianjin Jiarui to use all of Sunac Real Estate’s intellectual property on a non-exclusive basis during the course of its business; and (viii) provision of human resources support and relevant technical personnel.

Pursuant to the Exclusive Technology Consulting and Services Agreement, Tianjin Jiarui shall pay to Sunac Real Estate a service fee. Subject to the provisions of PRC laws and regulations, the amount is equal to the income of Tianjin Jiarui (including bonus, dividend distribution or any other proceeds or benefits received by Tianjin Jiarui from its investees), after making up for the losses for the previous year (if necessary) and deducting the necessary costs, expenses and taxes required for the business operation, and Sunac Real Estate shall have the right to adjust the level of the service fee based on the actual service scope and with reference to the operating conditions and expansion needs of Tianjin Jiarui. Tianjin Jiarui shall agree to pay the service fee quarterly.

The Exclusive Technology Consulting and Services Agreement is for an initial term of ten years commencing from the date of the agreement, upon the expiry of which the term of the agreement will be extended automatically for another ten years, unless Sunac Real Estate informs Tianjin Jiarui 90 days prior to the expiry date that it will not extend the term. Furthermore, the agreement may be terminated (i) by Sunac Real Estate by giving a 30 days' prior notice of termination; or (ii) upon the acquisition of the entire equity interests in, and/or all assets of, Tianjin Jiarui by Sunac Real Estate pursuant to the Exclusive Option Agreement. Tianjin Jiarui is not contractually entitled to terminate the Exclusive Technology Consulting and Services Agreement.

(ii) **Entrustment Agreements**

Sunac Real Estate, Tianjin Yingrui and the Registered Shareholders entered into an entrustment agreement, pursuant to which the Registered Shareholders agree to enter into powers of attorney to irrevocably authorise the Chinese citizens designated by Sunac Real Estate (who shall be the directors and their successors of the direct or indirect shareholders of Sunac Real Estate (except the Registered Shareholders themselves) and who shall not be associates (as defined in the Listing Rules) of the Registered Shareholders) (the “**Designated Persons**”) to exercise all of their rights and powers as shareholders of Tianjin Yingrui. The Designated Persons will act on the Registered Shareholders' behalf on all matters pertaining to Tianjin Yingrui and, to the extent permissible under applicable PRC laws, exercise all of their respective rights as a shareholder thereof, including (i) rights to attend shareholders' meeting; (ii) rights to exercise voting rights in a shareholders' meeting on shareholder matters including but not limited to appointment or removal of directors, supervisors and senior management of Tianjin Yingrui and winding up of Tianjin Yingrui; (iii) rights to sign minutes or resolutions of shareholders' meetings or other legal documents; (iv) rights to instruct directors or the legal representative of Tianjin Yingrui to act in accordance with all their instructions; (v) rights to file documents with relevant

governmental authorities or regulatory bodies; (vi) rights to decide any transfer or otherwise disposal of the equity interest of the Registered Shareholders in Tianjin Yingrui; and (vii) such other shareholders' rights as stipulated under applicable PRC laws, rules and regulations and the articles of association of Tianjin Yingrui.

Sunac Real Estate, Tianjin Jiarui and Tianjin Yingrui also entered into an entrustment agreement pursuant to which Tianjin Yingrui agreed to enter into powers of attorney to irrevocably authorise the Chinese citizens designated by Sunac Real Estate (who shall be the directors and their successors of the direct or indirect shareholders of Sunac Real Estate who shall not be associates (as defined in the Listing Rules) of Tianjin Yingrui) to exercise all of its rights and powers as shareholder of Tianjin Jiarui. Such designated persons will have similar shareholder rights set out in the preceding paragraph with respect to Tianjin Jiarui.

Each of the Entrustment Agreements is for an indefinite term commencing from the date of the agreement until it is terminated (i) by Sunac Real Estate by giving a 30 days' prior notice of termination; or (ii) upon the acquisition of the entire equity interests in, and/or all assets of, Tianjin Yingrui or Tianjin Jiarui (as the case may be) by Sunac Real Estate pursuant to the Exclusive Option Agreements. The Registered Shareholders, Tianjin Yingrui and Tianjin Jiarui are not contractually entitled to terminate the Entrustment Agreements.

(iii) Exclusive Option Agreements

Sunac Real Estate, Tianjin Yingrui and the Registered Shareholders entered into an exclusive option agreement, pursuant to which the Registered Shareholders and/or Tianjin Yingrui irrevocably grant to Sunac Real Estate or the person as designated by Sunac Real Estate exclusive options to purchase, to the extent permitted by PRC laws and regulations, their equity interests in Tianjin Yingrui, entirely or partially, at the minimum purchase price permitted by PRC laws and regulations. In addition, pursuant to the Exclusive Option Agreement, the Registered Shareholders and Tianjin Yingrui irrevocably grant to Sunac Real Estate or the person as designated by Sunac Real Estate, exclusive options to acquire, to the extent permitted by PRC laws and regulations, all or part of the assets of Tianjin Yingrui (including but not limited to the entire equity interest in Tianjin Jiarui) at the net book value for each option or the minimum purchase price permitted under PRC laws and regulations (whichever is lower). Sunac Real Estate may exercise such options at any time until it or the person designated by it has acquired all equity interests or assets of Tianjin Yingrui or unilaterally terminated the Exclusive Option Agreement by giving 30 days' prior notice, subject to the applicable PRC laws and regulations.

Sunac Real Estate and Tianjin Jiarui also entered into an exclusive option agreement, pursuant to which Tianjin Jiarui agreed to grant to Sunac Real Estate the exclusive options. To the extent permitted by the PRC laws and regulations, Sunac Real Estate and/or one or more of its designated persons are entitled to purchase from time to time the exclusive rights of all or part of the equity interests/shares in a company held by Tianjin Jiarui currently and in the future (including the equity interests/shares (if any) held by Tianjin Jiarui after the capital increase of the relevant company, including but not limited to the shares of Leshi Internet, the equity interests of Leshi Zhixin and the equity interests of Leshi Pictures, which may be held by Tianjin Jiarui in the future). Sunac Real Estate intends to accept such grant. Sunac Real Estate has the right to require Tianjin Jiarui to pledge its purchased equity interests/shares held by it to Sunac Real Estate or its designated persons to secure the borrowings provided by Sunac Real Estate to Tianjin Jiarui (if any).

The Exclusive Option Agreement is for an indefinite term commencing from the date of the agreement, until it is terminated (i) by Sunac Real Estate by giving a 30 days' prior notice of termination; or (ii) upon the acquisition of the entire equity interests or all assets of, Tianjin Yingrui by Sunac Real Estate or the person designated by it pursuant to the Exclusive Option Agreement. Tianjin Yingrui, the Registered Shareholders and/or Tianjin Yingrui are not contractually entitled to terminate the Exclusive Option Agreement.

(iv) Loan Agreements

Sunac Real Estate entered into the Loan Agreements with each of the Registered Shareholders respectively pursuant to which Sunac Real Estate shall provide a non-interest-bearing loan of RMB5,000,000 to each of the Registered Shareholders for the purposes of capital injection into Tianjin Yingrui. Subject to the terms of the Loan Agreements, the loan shall be for a term of five years commencing from the date of the agreement, upon the expiry of which the term of the agreement will be extended automatically for another five years. During the term of the Loan Agreements, Sunac Real Estate may demand immediate repayment upon the occurrence of certain events set out in the Loan Agreements including the resignation or removal of the Registered Shareholders from office in Sunac Real Estate or its affiliates, the death of the Registered Shareholders, the commission of criminal offences by the Registered Shareholders and the exercise of Sunac Real Estate's right under the Exclusive Option Agreement. When the loan is due, the Registered Shareholders may only repay the loan either by (i) transferring its interest in Tianjin Yingrui to Sunac Real Estate or the person as designated by Sunac Real Estate in accordance with Sunac Real Estate's requirements and to the extent permitted by

PRC laws and regulations, or (ii) upon the exercise of Sunac Real Estate's right under the Exclusive Option Agreement to acquire the assets of Tianjin Yingrui, using the dividends or other distributions obtained by the Registered Shareholders from Tianjin Yingrui.

The obligations of the Registered Shareholders under the Loan Agreements are secured by the pledge over all the equity interest held by the Registered Shareholders in Tianjin Yingrui in favour of Sunac Real Estate under the relevant Equity Pledge Agreement.

(v) Equity Pledge Agreements

Sunac Real Estate and the Registered Shareholders entered into an equity pledge Agreement, pursuant to which the Registered Shareholders shall pledge all of their respective equity interests in Tianjin Yingrui to Sunac Real Estate to secure the performance of all their obligations and the obligations of Tianjin Yingrui and Tianjin Jiarui under the Contractual Arrangements. Under the agreement, if any of the Registered Shareholders and/or Tianjin Yingrui and/or Tianjin Jiarui breaches any obligation under the Contractual Arrangements, Sunac Real Estate, as the pledgee, is entitled to request the Registered Shareholders to transfer the pledged equity interests, entirely or partially to Sunac Real Estate and/or any entity or person as designated by Sunac Real Estate. In addition, pursuant to the Equity Pledge Agreement, each of the Registered Shareholders undertakes to Sunac Real Estate, among other things, not to transfer the interest in his respective equity interests in Tianjin Yingrui and not to create any pledge thereon without Sunac Real Estate's prior written consent.

Sunac Real Estate and Tianjin Yingrui also entered into an equity pledge agreement pursuant to which Tianjin Yingrui shall pledge all of its equity interests in Tianjin Jiarui to Sunac Real Estate to secure the performance of all the obligations of Tianjin Yingrui, Tianjin Jiarui and the Registered Shareholders under the Contractual Arrangements, on terms similar to those set out in the preceding paragraph.

Each of the Equity Pledge Agreements is for an indefinite term commencing on the date of the agreement until (i) all the relevant obligations under the Contractual Arrangements have been fulfilled; (ii) all the relevant debts under the Contractual Arrangements have been settled; or (iii) it is terminated by Sunac Real Estate by giving a 30 days' prior notice of termination. The Registered Shareholders and Tianjin Yingrui (as the case may be) are not contractually entitled to terminate the Equity Pledge Agreements.

(vi) Confirmation letters from the spouse of each Registered Shareholder

The spouse of each Registered Shareholder unconditionally and irrevocably agreed to and confirmed the transaction documents under the Contractual Arrangements signed by the relevant Registered Shareholder, and agreed to dispose of the equity interest in Tianjin Yingrui held by the relevant Registered Shareholder according to the requirements of such documents. The spouse of each Registered Shareholder also unconditionally and irrevocably agreed that such equity interest and all interests related thereto were not matrimonial properties jointly owned by him/her with the relevant Registered Shareholder, such equity interest and all interests related thereto were personal properties of the relevant Registered Shareholder, and might be pledged, sold or otherwise disposed of according to the requirements of the relevant transaction documents, and consent from the relevant spouse was not necessary. The spouse of each Registered Shareholder undertook that he/she will not assert any right or interest, or claim any damages or right, on such equity interest and all interests related thereto under any circumstances.

Manner of settlement of disputes which may arise from the Contractual Arrangements

Pursuant to the Contractual Arrangements, any dispute arising from the interpretation and implementation of the Contractual Arrangements between the parties should first be resolved through negotiation, failing which any party may submit the said dispute to the China International Economic and Trade Arbitration Commission (“CIETAC”) with a view to resolving the dispute through arbitration in accordance with the arbitration rules of the CIETAC. The results of the arbitration shall be final and binding on all relevant parties.

The Company’s PRC Legal Adviser confirmed that the abovementioned proposed dispute resolution provisions set forth in the Contractual Arrangements are in compliance with the PRC laws, legally valid and binding on the relevant signatories. However, the Company’s PRC Legal Adviser is also of the opinion that the provisions in the agreements underlying the Contractual Arrangements setting forth that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal may not be enforceable under PRC laws, see the paragraph headed “Risks Relating to the Investment — Certain terms of the Contractual Arrangements may not be enforceable under PRC laws” below.

RISKS RELATING TO THE INVESTMENT

If the PRC Government finds that the structure of the Investment does not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, the Investment could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of Sunac Real Estate’s interest in the Target Shares.

Some of the businesses in the existing businesses and future intended businesses of Leshi Internet, Leshi Pictures and Leshi Zhixin have entry barriers for foreign investors, the specific details are as follows:

- a) In respect of Leshi Internet, among the current principal businesses operated by Leshi Internet, the internet publishing service, internet audio and visual program service, internet culture operation service and television broadcast program production and operation business belong to prohibited categories of the industries for foreign investments in the “Foreign Investment Guidance Catalogue” (《外商投資指導目錄》).
- b) In respect of Leshi Pictures, among the current principal businesses operated by Leshi Pictures, the film distribution and television broadcast program production and operation business belong to prohibited categories of the industries for foreign investments in the “Foreign Investment Guidance Catalogue” (《外商投資指導目錄》).
- c) In respect of Leshi Zhixin, in the scope of operation by Leshi Zhixin, the businesses engaging in internet culture activities, research and development and production of internet games, online operation of internet games, and operation of game products via the internet (including the issue of virtual currency for internet games and trading of virtual currency) are internet culture operation services, whereas the internet television business intended for continuous development by Leshi Zhixin in future is an internet audio and visual program service. Both internet culture services and internet audio and visual program service belong to prohibited categories of industries for foreign investments in the “Foreign Investment Guidance Catalogue” (《外商投資指導目錄》).

According to the requirements of Article 4 under the “Rules on Merger and Acquisition of Domestic Enterprises by Foreign Investors” (《關於外國投資者併購境內企業的規定》), for industries prohibited to be operated by foreign investors under the “Foreign Investment Guidance Catalogue” (《外商投資指導目錄》), foreign investors are not allowed to merge with or acquire enterprises engaging in such industries. According to the requirements of Article 3 under the “Provisional Rules on Domestic Investments made by Foreign-invested Enterprises” (《關於外商投資企

業境內投資的暫行規定》), domestic investments made by foreign-invested enterprises shall be implemented in line with the requirements of the “Provisional Rules on Guidance for Foreign Investment Direction” (《指導外商投資方向暫行規定》) and “Foreign Investment Guidance Catalogue” (《外商投資指導目錄》), foreign-invested enterprises are prohibited to invest in sectors where foreign investment is forbidden.

To summarize the aforesaid, some of the businesses in the existing businesses and future intended businesses of Leshi Internet, Leshi Pictures and Leshi Zhixin involved in the transactions have entry barriers for foreign investors, and foreign investors or foreign-invested enterprises established by them within the PRC shall not invest in sectors which belong to prohibited areas for foreign investments under the “Foreign Investment Guidance Catalogue” (《外商投資指導目錄》). Therefore, the Group will invest in such businesses through the Contractual Arrangements. Although the Group does not have any equity interest in Tianjin Jiarui, the Group can obtain substantially all economic benefits of the relevant Target Shares through the Contractual Arrangements with Tianjin Yingrui and/or Tianjin Jiarui and/or the Registered Shareholders through Sunac Real Estate.

The Company’s PRC Legal Adviser is of the opinion that (i) the above arrangements will not violate existing PRC laws and regulations; (ii) the agreements under the Contractual Arrangements have been duly executed and delivered, which are legally binding on the signing parties, and the execution and performance of the agreements under the Contractual Arrangements do not violate the existing PRC laws and regulations and the articles of association of the signing parties. Save for the equity pledge under the Equity Pledge Agreements, the execution and effectiveness of the agreements under the Contractual Arrangements do not require the approvals, consent or other legal procedures of the PRC Government authorities. When the registration of the equity pledge is duly completed, the equity pledge under the Equity Pledge Agreements will have legal effect; (iii) except for certain terms of the Contractual Arrangements regarding the power of courts in Hong Kong and the Cayman Islands to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal (see the sub-paragraph headed “Certain terms of the Contractual Arrangements may not be enforceable under PRC laws” below), the Contractual Arrangements entered into by Tianjin Yingrui and Tianjin Jiarui are valid and legally binding and will not result in any violation of existing PRC laws and regulations; and (iv) the Contractual Arrangements entered into by Tianjin Yingrui and Tianjin Jiarui do not exist any situations that the contracts become invalid under Section 52 of the PRC Contract Law (including, without limitation, “concealing illegal intentions with a lawful form”). Under the existing effective laws and regulations, the contracts entered into thereunder will not be regarded as invalid. However, the Company

cannot guarantee that the views of the PRC Government will be consistent with or similar to those of the Company's PRC legal advisers. Furthermore, the PRC Government may adopt new laws and regulations in the future, which may invalidate the Contractual Arrangements.

If the PRC Government or judicial authorities determines that any of the relevant Target Companies, Tianjin Yingrui and Tianjin Jiarui or the Contractual Arrangements does not comply with applicable laws and regulations, it could have broad discretion in dealing with such non-compliance, including:

1. requiring the nullification of the Contractual Arrangements;
2. levying fines and/or confiscating the proceeds generated from the operations under the Contractual Arrangements;
3. revocation of the business licenses or operating licenses of Tianjin Jiarui, Tianjin Yingrui, the Target Companies and/or Sunac Real Estate;
4. discontinuing or placing restrictions or onerous conditions on the business operations of the Target Companies, Tianjin Yingrui and/or Tianjin Jiarui and/or Sunac Real Estate;
5. imposing conditions or requirements which the relevant Target Companies and/or Tianjin Yingrui and/or Tianjin Jiarui may not be able to comply with or satisfy;
6. requiring the relevant Target Companies and/or Tianjin Yingrui and/or Tianjin Jiarui to undergo a costly and disruptive restructuring; and
7. taking other regulatory or enforcement actions that could be harmful to or even shut down the business.

The imposition of any of the above-mentioned consequences could result in a material and adverse effect on the relevant Target Company's or Tianjin Yingrui's or Tianjin Jiarui's ability to conduct its business. In addition, if the imposition of any of these consequences causes Sunac Real Estate to lose its rights to receive its economic benefits arising from the relevant Target Shares, the financial results of the relevant Target Companies as well as the Group's Investment in the relevant Target Companies may be adversely affected.

Sunac Real Estate relies on the Contractual Arrangements to obtain the economic benefits of the relevant Target Shares which may not be as effective in obtaining the economic benefits as direct ownership.

Due to the PRC's legal restrictions on foreign investment in the business conducted by the Target Companies as mentioned above, the Group, through Sunac Real Estate, obtains the economic benefits of the relevant Target Shares through the Contractual Arrangements rather than equity ownership.

However, the Contractual Arrangements may not be as effective in obtaining the economic benefits of the relevant Target Shares as equity ownership. For example, Tianjin Yingrui and/or Tianjin Jiarui and/or the Registered Shareholders could breach or fail to perform their obligations under the Contractual Arrangements. If Sunac Real Estate had direct ownership of Tianjin Yingrui and/or Tianjin Jiarui and/or the Target Companies, Sunac Real Estate would be able to exercise its rights as a shareholder to effect changes in its board of directors, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management and operational level. Under the Contractual Arrangements, Sunac Real Estate would need to rely on its rights under the Contractual Arrangements to effect such changes, or designate new shareholders of Tianjin Yingrui and/or Tianjin Jiarui under the Contractual Arrangements.

If Tianjin Yingrui and/or Tianjin Jiarui and/or the Registered Shareholders breach their obligations under the Contractual Arrangements or if Sunac Real Estate loses the economic benefits over the relevant Target Shares for any reason, Sunac Real Estate would need to bring a claim against them under the terms of the Contractual Arrangements. The Contractual Arrangements are governed by the PRC law and provide that any dispute arising from these arrangements will be submitted to the China International Economic and Trade Arbitration Commission, or the CIETAC, for arbitration, the ruling of which will be final and binding. Furthermore, personal liabilities of the shareholders of Tianjin Yingrui and/or Tianjin Jiarui may also subject the equity interest they hold in Tianjin Yingrui and/or Tianjin Jiarui to court preservation actions or enforcement. The legal framework and system in the PRC, particularly those relating to arbitration proceedings, is not as developed as other jurisdictions such as Hong Kong or the United States of America. As a result, significant uncertainties relating to the enforcement of legal rights through arbitration, litigation and other legal proceedings remain in the PRC, which could limit Sunac Real Estate's ability to enforce the Contractual Arrangements and obtain economic interest of the relevant Target Shares. If Tianjin Yingrui and/or Tianjin Jiarui and/or the Registered Shareholders fails to perform its respective obligations under the Contractual Arrangements, and Sunac Real Estate is unable to enforce the Contractual Arrangements, or suffer significant delay or other obstacles in the process of enforcing the Contractual Arrangements, the Group's Investment in the relevant Target Companies could also be materially and adversely affected.

Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.

The Contractual Arrangements provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the CIETAC in the PRC. The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of Tianjin Yingrui and/or Tianjin Jiarui, injunctive relief and/or winding up of Tianjin Yingrui and/or Tianjin Jiarui. In addition, the Contractual Arrangements contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal.

However, the Company's PRC Legal Adviser has advised that the abovementioned provisions contained in the Contractual Arrangements may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order to preserve the assets of or any equity interest in Tianjin Yingrui and/or Tianjin Jiarui in case of disputes. Therefore, such remedies may not be available to Sunac Real Estate, notwithstanding the relevant contractual provisions contained in the Contractual Arrangements. PRC laws allow an arbitral body to award the transfer of assets of or an equity interest in Tianjin Yingrui and/or Tianjin Jiarui in favour of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. Under PRC laws, courts of judicial authorities in the PRC generally would not grant injunctive relief or the winding-up order against Tianjin Yingrui and/or Tianjin Jiarui as interim remedies to preserve the assets or shares in favour of any aggrieved party. The Company's PRC Legal Adviser is also of the view that, even though the Contractual Arrangements provide that courts in Hong Kong and the Cayman Islands may grant and/or enforce interim remedies or in support of arbitration, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favour of an aggrieved party) may not be recognized or enforced by PRC courts. As a result, in the event that Tianjin Yingrui and/or Tianjin Jiarui and/or the Registered Shareholders breaches any of the Contractual Arrangements, Sunac Real Estate may not be able to obtain sufficient remedies in a timely manner, and its economic interest in the relevant Target Shares could be materially and adversely affected.

The Contractual Arrangements may lead to an increase in the overall future tax burden of the Group due to factors such as consolidation adjustment or a change in the structure of the Contractual Arrangements. The Group will continue to pay close attention to this.

INSURANCE

Taking into account the fact that the Group will only hold a minority economic interest in each of the Target Companies upon completion of the Investment and the cost of insurance, the Group does not intend to purchase any insurance to cover the risks relating to the Contractual Arrangements.

INFORMATION ON THE GROUP AND OTHER PARTIES TO THE ACQUISITION

The Group

The Company is a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the main board of the Stock Exchange. As specialised in integrated development of residential and commercial properties, the Company is one of the leading real estate developers in the PRC. The Company adheres to the regional focus and high-end boutique development strategy, owning lots of developed or developing high-quality projects in the 1st tier and the core 2nd tier cities across the PRC, covering many property types ranging from high-rise residences, detached villas, retail properties and offices.

Sunac Real Estate

Sunac Real Estate is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, which is principally engaged in property development and investment business in the PRC.

Leshi Holding

Leshi Holding is a company established in the PRC with limited liability whose principal business activity is investment management.

Xinle Asset

Xinle Asset is a partnership established in the PRC with limited liability whose principal business activity is asset management.

Tianjin Jiarui

Tianjin Jiarui is a company established in the PRC with limited liability whose principal business activity is business management consulting services. It is a wholly-owned subsidiary of Tianjin Yingrui which is in turn owned as to 50% by Mr.

Wang and 50% by Mr. Zheng, both of whom are senior management of the Company. Save as aforesaid, to the best of the Directors' knowledge, information and belief having made all reasonable enquires, Tianjin Jiarui is independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

REASONS FOR AND BENEFITS OF THE INVESTMENT

The Company's contracted sales in 2016 was more than RMB150 billion, ranked 7th in the industry, and established its presence in the national core cities to provide the sufficient land reserves for future development. The Company will consider using a small amount of resources to strategically invest in companies with a competitive edge in other industries with a growth potential without affecting the sustainable and healthy development of its property business.

Based on the huge population base and the continuous upgrading of purchasing power in the PRC, the Company is optimistic about the investment opportunities as a result of the technological innovation and consumption upgrade sectors for a long time. Leshi has established the development space and great potential of the Leshi ecosystem with its unique and competitive large-screen hardware platform as carrier, and its video, film & television, sports and games as contents. The subject of the Investment is the mature and competitive business segment in the Leshi ecosystem. The Company believes that the Investment will bring a better return on capital for the Company and the Company will have greater room for cooperation with Leshi in the field of industrial real estate, and will also bring continued benefits to the further growth of the Company's property business.

The Board considers that the terms of the Investment were determined after arm's length negotiations between the parties thereto and the Directors are of the view that the terms of the Investment are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Investment exceed 25% and all of such ratios are less than 100%, the Investment constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

WRITTEN SHAREHOLDER’S APPROVAL

Pursuant to Rule 14.44 of the Listing Rules, in lieu of a resolution to be passed at a general meeting of the Company, written shareholder’s approval for the Investment has been obtained from the controlling shareholder of the Company, namely Sunac International, who held 2,042,623,884 Shares, representing approximately 52.92% of the issued share capital of the Company as at the date of this announcement. To the best of the Directors’ knowledge, information and belief, after having made all reasonable enquiries, none of the Shareholders has any material interest in the Investment and therefore no shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the Investment.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, (i) details of the Investment and the Acquisition; (ii) financial information of the Group; and (iii) financial information of the Target Companies, shall be despatched within 15 business days after publication of this announcement. As more time is required to prepare the financial information to be included in the circular, the Company will apply for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules from the Stock Exchange so that the despatch date of the circular can be postponed to a date more than 15 business days after publication of this announcement, which is expected to be on or before 30 April 2017.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Acquisition”	the acquisition of the Target Shares by Tianjin Jiarui (or its designees) pursuant to the terms of the Acquisition Agreements
“Acquisition Agreements”	the Leshi Internet SP Agreement, the Leshi Pictures SP Agreement, the Leshi Zhixin SP Agreements and the Leshi Zhixin Capital Increase Agreement
“Board”	the board of Directors
“Company”	Sunac China Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability, and the shares of which are listed on the main board of the Stock Exchange (stock code: 1918)

“Contractual Arrangements”	the contractual arrangements entered into between Sunac Real Estate, Tianjin Yingrui, Tianjin Jiarui and/or the Registered Shareholders, namely, (i) the exclusive technology consulting and services agreement (the “ Exclusive Technology Consulting and Services Agreement ”); (ii) the entrustment agreements (the “ Entrustment Agreements ”); (iii) the exclusive option agreements (the “ Exclusive Option Agreements ”); (iv) the loan agreements with each of the Registered Shareholders as borrowers (the “ Loan Agreements ”); (v) the equity pledge agreements (the “ Equity Pledge Agreements ”); and (vi) the confirmation letters from the spouse of each of the Registered Shareholders, the details of which are set out in the paragraph headed “INFORMATION ON THE CONTRACTUAL ARRANGEMENTS” in this announcement
“CSRC”	China Securities Regulatory Commission (中華人民共和國證券監督管理委員會)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Investment”	the acquisition of the economic interest in the Target Shares by the Group through the Contractual Arrangements
“Leshi Companies”	collectively, companies under the Leshi ecosystem directly controlled or indirectly controlled through Leshi Holding and/or Leshi Internet by Mr. Jia (excluding Leshi Internet and its subsidiaries)
“Leshi Holding”	樂視控股(北京)有限公司 (Leshi Holding (Beijing) Co., Ltd.*), a company established in the PRC with limited liability

“Leshi Internet”	樂視網信息技術(北京)股份有限公司 (Leshi Internet Information & Technology Corp (Beijing)*), a company established in the PRC with limited liability whose shares are listed on the Shenzhen Stock Exchange (stock code: 300104)
“Leshi Internet Interest”	the equity interest being acquired by Tianjin Jiarui pursuant to the terms of the Leshi Internet SP Agreement, representing 8.61% equity interest in Leshi Internet
“Leshi Internet SP Agreement”	the sale and purchase agreement dated 13 January 2017 entered into between Mr. Jia and Tianjin Jiarui in relation to the acquisition of the Leshi Internet Interest
“Leshi Pictures”	樂視影業(北京)有限公司 (Le Vision Pictures (Beijing) Co. Ltd.), a company established in the PRC with limited liability
“Leshi Pictures Interest”	the equity interest being acquired by Tianjin Jiarui pursuant to the terms of the Leshi Pictures SP Agreement, representing 15% equity interest in Leshi Pictures
“Leshi Pictures SP Agreement”	the sale and purchase agreement dated 13 January 2017 entered into between Leshi Holding, Mr. Jia and Tianjin Jiarui in relation to the acquisition of the Leshi Pictures Interest
“Leshi Zhixin”	樂視致新電子科技(天津)有限公司 (Leshi Zhixin Electronic Technology (Tianjin) Limited), a company established in the PRC with limited liability
“Leshi Zhixin Capital Increase Agreement”	the capital increase agreement dated 13 January 2017 entered into between Mr. Jia, Leshi Zhixin and Tianjin Jiarui in relation to the capital increase by Tianjin Jiarui into Leshi Zhixin in an amount of RMB3,000,000,000
“Leshi Zhixin Interest”	the equity interest being acquired by Tianjin Jiarui pursuant to the terms of the Leshi Zhixin SP Agreements and the Leshi Zhixin Capital Increase Agreement, representing in aggregate 33.4959% equity interest in Leshi Zhixin (on a post-capital increase basis)

“Leshi Zhixin SP Agreement A”	the sale and purchase agreement dated 13 January 2017 entered into between Mr. Jia, Leshi Internet, Leshi Zhixin and Tianjin Jiarui in relation to the acquisition of 10.3964% equity interest in Leshi Zhixin (on a pre-capital increase basis)
“Leshi Zhixin SP Agreement B”	the sale and purchase agreement dated 13 January 2017 entered into between Mr. Jia, Xinle Asset, Leshi Zhixin and Tianjin Jiarui in relation to the acquisition of 15.7102% equity interest in Leshi Zhixin (on a pre-capital increase basis)
“Leshi Zhixin SP Agreements”	the Leshi Zhixin SP Agreement A and the Leshi Zhixin SP Agreement B
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Jia”	Mr. Jia Yueting, the founder of the Target Companies
“Mr. Wang”	Mr. Wang Peng, one of the Registered Shareholders
“Mr. Zheng”	Mr. Zheng Pu, one of the Registered Shareholders
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Legal Adviser”	Beijing Jincheng Tongda Law Office (北京金誠同達律師事務所), the legal adviser to the Company as to the laws of the PRC
“Priority Investment Right”	Tianjin Jiarui will have the right of first refusal to purchase the shares in Leshi Companies under the same conditions with respect to such shares sold by Mr. Jia and the priority investment right with respect to the increase of registered capital or issue of new shares by such companies
“Registered Shareholders”	Mr. Wang and Mr. Zheng, being senior management of the Company, legal owners of the equity interest of Tianjin Yingrui as to 50% each
“RMB”	Renminbi, the lawful currency of the PRC

“Share(s)”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunac International”	Sunac International Investment Holdings Ltd, a company incorporated under the laws of the British Virgin Islands, a controlling shareholder of the Company as at the date of this announcement
“Sunac Real Estate”	融創房地產集團有限公司 (Sunac Real Estate Group Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Xinle Asset”	鑫樂資產管理(天津)合夥企業(有限合夥) (Xinle Asset Management (Tianjin) Partnership (Limited Partnership)*), a partnership established in the PRC with limited liability
“Target Companies”	Leshi Internet, Leshi Pictures and/or Leshi Zhixin (as the case may be)
“Target Shares”	the Leshi Internet Interest, the Leshi Pictures Interest and/or the Leshi Zhixin Interest (as the case may be)
“Tianjin Jiarui”	天津嘉睿匯鑫企業管理有限公司 (Tianjin Jiarui Huixin Corporate Management Co., Ltd.*), a company established in the PRC with limited liability, which is a wholly-owned subsidiary of Tianjin Yingrui
“Tianjin Yingrui”	天津盈瑞匯鑫企業管理有限公司 (Tianjin Yingrui Huixin Corporate Management Co., Ltd.*), a company established in the PRC with limited liability, which is owned as to 50% by Mr. Wang and 50% by Mr. Zheng
“%”	per cent.

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

Hong Kong, 13 January 2017

As at the date of this announcement, the executive Directors are Mr. SUN Hongbin, Mr. WANG Mengde, Mr. JING Hong, Mr. CHI Xun, Mr. TIAN Qiang, Mr. SHANG Yu, Mr. HUANG Shuping and Mr. LI Shaozhong; and the independent non-executive Directors are Mr. POON Chiu Kwok, Mr. ZHU Jia, Mr. LI Qin, Mr. MA Lishan and Mr. TSE Chi Wai.

** In this announcement, the English names of the PRC entities, the PRC Government authorities or the PRC laws and regulations are translation of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*