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)

UPDATE ON THE DEBT RESTRUCTURING AND BUSINESS DEVELOPMENT

This announcement is made by Sunac China Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

I. UPDATE ON THE DEBT RESTRUCTURING

The Group would like to provide an update to the market on the considerable progress made regarding the restructuring of its offshore debt and convey certain preliminary restructuring principles and a summary of the proposed restructuring framework that have been discussed to date.

1. Restructuring Progress

The Group has been actively working with its legal advisor, Sidley Austin, and financial advisor, Houlihan Lokey (China) Limited, to assess its current financial and operational conditions with a view to formulating a solution that respects the rights of all stakeholders and unlocks the inherent value of the Group's business and assets as the onshore operating environment recovers over time.

In this regard, the Group has been communicating and constructively engaging with certain holders of the senior notes and other offshore debts issued by the Group (excluding holders of certain secured offshore debts which the Company intends to deal with on a bilateral basis) with an aggregate principal amount of approximately US$9.1 billion (the "**Existing Debts**") and their advisers, to facilitate the formulation of a consensual restructuring proposal for the Group's offshore debts. Such holders of the Existing Debts who have formed an ad hoc group of offshore creditors (the "**Ad Hoc Group Creditors**") collectively hold or control more than 30% in aggregate principal amount of the Existing Debts.

Over the past few months, the Ad Hoc Group Creditors and their advisers have worked closely with the Company and its advisers to conduct in-depth due diligence on the Group's financial and operational conditions. Accordingly, the Company has diligently responded to a wide range of due diligence questions and provided various forms of supporting documents, files and evidence. The parties have also made significant progress in formulating a restructuring framework and narrowing the bid-ask gap on various economic terms.

2. Preliminary Restructuring Principles

Management is fully committed to the offshore restructuring and wishes to inform the market that the envisaged restructuring proposal will be based on the following guiding principles:

(1) equitable treatment to all creditors by respecting their existing legal standing and inter-creditor priority;

(2) target to achieve a long-term, sustainable capital structure to de-risk business operations and unlock value for all stakeholders;

(3) provide options to address divergent creditor objectives/constraints and garner the broad-based creditor support required to effectuate a consensual transaction; and

(4) enhance the Group's adaptiveness to the current market changes, so as to achieve sustainable operations and improve the post-restructuring trading performance of both the offshore debts and the shares of the Company.

3. Potential Implementation Structure

The Company intends to implement a restructuring plan for all Existing Debts that benefit from the same set of security value pre-restructuring by way of scheme(s) of arrangement in Hong Kong and/or Cayman Islands. The Company plans to deal with certain offshore creditors with onshore and offshore assets as credit enhancement pre-restructuring, on a bilateral basis.

4. Preliminary Restructuring Framework

The Company has proposed to the Ad Hoc Group Creditors a preliminary restructuring framework with key elements as follows:

(1) deleveraging plan which contemplates the Company converting US$3-4 billion of Existing Debts, and certain shareholder loans into ordinary shares or equity-linked instruments in order to achieve a sustainable capital structure that is capable of being serviced by continuing operations, while also addresses the concerns of offshore creditors. The Company is exploring different structures with the Ad Hoc Group Creditors to achieve the target deleveraging;

(2) exchanging residual Existing Debts into new USD denominated public notes (the "**New Notes**") with maturities ranging from 2-8 years from the restructuring effective date. It is contemplated that certain interest payable on the New Notes can be accrued in the initial two-year period post-restructuring, in order to provide an appropriate period of time for the Group to restore its operations and liquidity profile, and after which it is contemplated that such interest will be paid in cash;

(3) using net proceeds (if any) from the disposal of certain assets as an additional source of funding for the repayment of the New Notes; and

(4) offering consent fee for creditors who provide their support to the restructuring proposal.

5. Next Steps

As at the date of this announcement, the Company is still in discussion with the Ad Hoc Group Creditors on the aforementioned offshore restructuring proposal, and no definitive agreement on the terms of the offshore restructuring have been entered into between the Group and the Ad Hoc Group Creditors. The Group expects to continue the proactive and constructive dialogue and maintain a positive momentum with the Ad Hoc Group Creditors with a view to finalizing terms of the restructuring proposal as soon as practical. In this regard, the Group will continue to provide material updates on the restructuring process to all stakeholders as appropriate.

II. UPDATE ON THE BUSINESS DEVELOPMENT

Set out below is an update on the latest business development of the Group.

1. Debt Overview

There has not been significant change to the amount of the interest-bearing debts of the Group as of 30 June 2022 compared to that as at the end of 2021 (please refer to the 2021 audited annual results announcement of the Company dated 8 December 2022), of which the principal amount of the offshore interest-bearing debts was approximately US$11 billion (unaudited). Of the said offshore debt, approximately US$3.7 billion, which accounts for approximately 34% of the total offshore debts, has an original maturity before the end of 2022.

2. Projected Cash Flow for Property Development Sector

Due to the current market condition, the liquidity of the Group's property development sector is constrained. The cash balance of the Group's property development sector (including its joint ventures and associates) was approximately RMB120 billion in aggregate (unaudited), of which the consolidated cash balance amounted to approximately RMB41 billion (unaudited) as of 30 June 2022. Most of such cash is held in monitoring accounts at the project-level.

Based on various assumptions that include (i) no new development projects will be obtained by the Group, (ii) all saleable resources of the Group will be realized, (iii) the Group will strictly control the overall costs in accordance with its plan, (iv) additional expenses to be incurred for any potential litigation are not taken into consideration, and (v) no other unforeseeable factors have been considered, the Company's projected future cash flows are as follows:

(1) the total cash flow generated from development projects, including development projects developed by the Group and its joint ventures and associates over the next seven years or so is expected to be approximately RMB320 billion (such amount represents the cash flow after repaying project level debt and without taking into consideration the cash inflows from the realization of the self-owned properties such as hotels, commercial properties, theme parks, etc., the book value of which amounts to approximately RMB130 billion as of 31 December 2021), which is based on reasonable commercial assumptions and may vary depending on market conditions;

(2) approximately 20% of the total projected cash flows detailed above is expected to be available to upstream to offshore entities of the Group for service of debts; and

(3) the Group may consider gradually disposing of part of its assets (if any) over the next seven years or more, subject to market conditions and asset operation circumstances, which is expected to increase the overall liquidity of the Group by approximately RMB60 billion.

III. CAUTION

The information contained in this announcement is based solely on a preliminary assessment by the management of the Company with reference to the information currently available to it, which has not been audited by the Company's auditors, and based on a series of assumptions. The actual interim results of the Group for the six months ended 30 June 2022 may be different from what is disclosed in this announcement.

Holders of securities and potential investors of the Company are advised to read the interim results announcement of the Company for the six months ended 30 June 2022, which will be published in due course.

IV. CONTINUED SUSPENSION OF TRADING

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

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

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

Hong Kong, 9 December 2022

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