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## HISTORY, REORGANIZATION AND GROUP STRUCTURE

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### HISTORY

Our Company, Sunac China Holdings Limited, was incorporated in the Cayman Islands on April 27, 2007 and, as part of the Reorganization, became the holding company of our various operating subsidiaries principally engaged in property development in major cities of the PRC.

Our shareholding and group structure charts before and after the Global Offering are set out on pages 137 to 139 of this prospectus.

### History and Development

Yingxin Xinheng (being the predecessor holding the major operating subsidiaries of our Group) was a limited liability company established in the PRC on November 15, 2001 by two Independent Third Parties, Mr. Tian Hong (田洪) and Mr. Jia Xinyao (賈新耀). Yingxin Xinheng was principally engaged in property development in the PRC. Mr. Sun has been well-acquainted with Mr. Jia and Mr. Tian since 1988.

On March 26, 2005, Mr. Sun entered into an agreement with the shareholders of Yingxin Xinheng at that time, namely, Mr. Tian, Mr. Jia and Yinji Investment Holding Co., Ltd. (銀基投資控股有限公司) (“Yinji”) (a PRC-incorporated company then owned as to a 50% equity interest each by Mr. Tian and Mr. Jia) (together the “Yingxin Xinheng Shareholders”), to acquire from them their respective 12.5%, 12.5% and 75% equity interests in Yingxin Xinheng for RMB40 million in aggregate, which was fully paid by Mr. Sun at around the same time. The RMB40 million consideration was determined among the parties by reference to the then valuation of Yingxin Xinheng (being approximately RMB29 million) as of December 31, 2004 based on an independent valuation conducted on March 1, 2005.

As a result of the full payment of the purchase consideration, Mr. Sun had as from March 26, 2005 been entitled to receive from the Yingxin Xinheng Shareholders 100% of the dividends/distributions from Yingxin Xinheng and had exercised in his absolute discretion all voting rights exercisable by the Yingxin Xinheng Shareholders with respect to certain crucial matters such as director-nomination, approval of dividend/distribution proposals, transfer of shares in Yingxin Xinheng and disposition/charge of assets and investments (the “Specified Voting Rights”).

As (i) Mr. Sun had effectively been exercising such voting rights as were necessary or important for exerting control over Yingxin Xinheng and enjoying the economic interest in and benefits from Yingxin Xinheng; (ii) given his long-established acquaintance with, and trust in, the Yingxin Xinheng Shareholders; (iii) Mr. Sun was at the relevant time primarily concentrating on developing and further expanding Yingxin Xinheng’s business operations, and he had not placed top priority on the registration and approval procedures; and (iv) Yingxin Xinheng was only left with minority stakes in various investments without substantial business operations after the reorganization in 2007 in preparation for the Listing, no registration and approval procedures were completed at the time of the transfer from the Yingxin Xinheng Shareholders to Mr. Sun and, hence, the Yingxin Xinheng Shareholders remained as the registered shareholders. Later, in mid-2007, there were changes to the composition of the Yingxin Xinheng Shareholders as Yinji transferred its 75% equity interest to Mr. Tian and Mr. Jia in equal proportions for the purpose of simplifying the shareholding structure, resulting in each of Mr. Tian and Mr. Jia directly holding a 50% equity interest (instead of having part of their equity interests held through a corporate vehicle) in Yingxin Xinheng. The transfer became

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effective in 2009 when Mr. Sun (through Tianjin Qizhi Infrastructure Development Co., Ltd. (天津旗幟基礎設施開發有限公司), a PRC-incorporated company wholly owned by him) took steps to complete the acquisition of Yingxin Xinheng on September 3, 2009. All necessary filings were made and all required approvals were obtained.

As advised by our PRC Legal Advisors:

- the execution of the equity transfer agreement on March 26, 2005 and the contents of the equity transfer agreement did not constitute a breach of the articles of association of Yingxin Xinheng, nor did they violate any applicable PRC laws or regulations;
- Mr. Sun will not be subject to any legal punishment under the applicable PRC laws or regulations for failure to complete such registration and approval procedures; and
- Mr. Sun's exercise of the Specified Voting Rights and his entitlement to 100% of the dividends/distributions from the Yingxin Xinheng Shareholders from March 26, 2005 to September 3, 2009 were valid and effective and did not violate any PRC laws or regulations despite the absence of registration and approvals for the relevant equity transfer agreement.

Under the then-existing management structure of Yingxin Xinheng, the management functions and responsibilities had been vested solely in Mr. Sun. By virtue of the exercise of the Specified Voting Rights, all decisions on the appointment/removal of directors in Yingxin Xinheng and its subsidiaries (based on Yingxin Xinheng's then attributable interest in those subsidiaries) and all major decisions and instructions affecting Yingxin Xinheng and its subsidiaries and businesses were made by Mr. Sun. Having most of the rights and powers of management and operations, he had been the leader predominantly making all the highest-level decisions on strategic planning and business operations. The decisions and instructions made by Mr. Sun from time to time were executed by the directors or senior management of the subsidiaries of Yingxin Xinheng, who were appointed by Yingxin Xinheng based on its then attributable interest in such subsidiaries.

### **Sunac Zhidi**

In February 2006, Yingxin Xinheng acquired from Tianjin Municipal Investment Limited (天津市政投資有限公司), a state-owned Independent Third Party, the remaining 50% equity interest in Sunac Zhidi for a cash consideration of RMB380 million, bringing its total stake in Sunac Zhidi to 100%. Out of the total consideration of RMB380 million, RMB361.26 million was paid by Yingxin Xinheng, Sunac Zhidi and Sunac Ao Cheng by installments during the period from January 2006 to January 2009. The first installment amounting to RMB30 million was paid by Yingxin Xinheng in January 2006. The funds contributed by Yingxin Xinheng were mainly sourced from its then-existing real estate operating subsidiaries and the capital injection resulting from our Group's offshore reorganization. The remaining balance of RMB18.74 million was settled in March 2010. We have been advised by our PRC Legal Advisors that the unpaid portion would not affect our Group's title in the shareholding interest in Sunac Zhidi as the transfer has been approved and registered with the relevant government authority. The outstanding amount was a monetary debt owed to the vendor. In October 2007, as part of the Reorganization, Yingxin Xinheng transferred the entire equity interest in Sunac Zhidi to WFOE-I for a cash consideration of RMB480 million. The consideration for each of these transfers was determined by reference to the original investment cost of the target assets.

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Sunac Zhidi has been engaged in the development of the Mind-Land International project and the Joy Downtown project. Joy Downtown is our first commercial property project in Tianjin.

### **Chongqing OG**

In January 2006, Yingxin Xinheng acquired a stake of 4.9% in Chongqing OG from the shareholder at the time, Zhongti Chanye Group Holdings Limited (中體產業集團股份有限公司) (“Zhongti Chanye”), an Independent Third Party and a state-owned enterprise, for a total cash consideration of RMB3.6 million, increasing its total equity interest in Chongqing OG from 50.82% to 55.72%. In March 2006, Yingxin Xinheng acquired an additional 34.43% stake in Chongqing OG in consideration for (i) the transfer of equity interests in the then five subsidiaries (the “Transfer Companies”) of Yingxin Xinheng, namely Changchun Sunac, Chengdu Sunac, Deyang Sunac, Changchun Sunac Property Management Limited (長春融創物業管理有限公司) and Sichuan Sunac Property Limited (四川融創物業有限公司), each of which were engaged in property development and property management and were valued by reference to the fair values of the Transfer Companies at an aggregate value of RMB137 million based on the valuation of Chongqing OG at the time of transfer; (ii) RMB200 million plus the assumption of payment liability of RMB122.33 million; and (iii) the settlement of all inter-company balances between Yingxin Xinheng (and its affiliates) and the Transfer Companies. The cash consideration paid by Yingxin Xinheng was mainly funded by the cash balances of other real estate operating subsidiaries of Yingxin Xinheng. The transfer of the Transfer Companies was solely driven by the following commercial motives: (i) to enable our Group to concentrate on property development in certain target cities in the PRC through increasing its stake in companies with development projects in those target cities; and (ii) to divest project companies that do not focus in those selected cities. In March 2007, as part of the Reorganization, Yingxin Xinheng transferred such equity interest to WFOE-I for a cash consideration of RMB710,450,000. The consideration was determined by reference to the fair value estimated by an independent valuer. Between February and April 2008, through acquisitions of 8.85% and 1% from the remaining independent third-party shareholders, Chongqing Hongbang Realty Co., Ltd. (重慶宏邦實業有限公司) (“Chongqing Hongbang”) and Zhongti Chanye, respectively, for a total cash consideration of approximately RMB179.8 million, our Group’s total equity interest in Chongqing OG was increased to 100%. The consideration for the above 8.85% transfer was determined by reference to market comparables at the time while the consideration for the 1% transfer was determined by reference to the registered capital of Chongqing OG at the time of the transfer.

With respect to our acquisition from Zhongti Chanye of a combined 5.9% equity interest in Chongqing OG in January 2006 and April 2008, Zhongti Chanye failed to file any asset appraisal report or go through a public tender process as required by relevant regulations governing transfers of state-owned assets. We have been advised by our PRC Legal Advisors that, while a state-owned enterprise is required under applicable PRC laws and regulations to complete such procedures before transferring state-owned assets, we would not be subject to any penalty for any non-compliance by the state-owned enterprise due to its failure to complete such procedures. To address this issue, we have taken steps to secure undertakings from Zhongti Chanye to afford us additional remedies against such transferor for its non-compliance. For example, by an undertaking letter given by Zhongti Chanye on September 18, 2009, Zhongti Chanye undertook that if the equity transfer was dismissed or nullified by the court or other relevant competent authority due to irregularities in the transfer procedures, Zhongti Chanye would re-comply with all relevant procedures in respect of such equity transfer

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and ensure that the Group becomes the legal owner of the relevant equity interest in Chongqing OG at the costs of Zhongti Changye. In the event that the relevant state-owned assets administration authorities seek to nullify the transfers of such 5.9% equity interest in Chongqing OG to us, we may be required to transfer the subject equity interest back to Zhongti Changye and Zhongti Changye may be required to return the consideration back to us. See “Risk Factors – Risks Relating to Our Business – Failure of third-party transferors to file asset appraisal reports or go through the listing-for-sale-process may affect our business” for additional information. If a competent court nullifies these transfers, our equity interest in Chongqing OG will be reduced from 100% to 94.1%. For the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, we had a total net loss of RMB0.3 million, a total net profit of RMB2.4 million, a total net profit of RMB10.8 million, and a total net loss of RMB1.3 million, respectively, attributable to such interests. Our Controlling Shareholders have agreed to indemnify us against all damages we may suffer as a result of such nullification.

Chongqing OG is engaged in the development of the Chongqing Olympic Garden project in Chongqing, which is our largest project by site area and GFA.

### **Sunac Ao Cheng**

In September 2006, Yingxin Xinheng entered into a transfer agreement to acquire a further stake in Sunac Ao Cheng from Tianjin Trust Co., Ltd. (天津信托有限責任公司), an Independent Third Party, for a cash consideration of RMB60 million determined by reference to the appraisal value of the target asset, increasing its total stake from 60.3% to 87.3%. In November 2007, as part of the Reorganization, Yingxin Xinheng transferred all of such equity interest to Sunac Zhidi for a cash consideration of RMB510,343,440.25 and, subsequently in July 2008, our Group’s stake in Sunac Ao Cheng was increased to 90% through Sunac Zhidi’s acquisition from the shareholder at the time, Tianjin Daily News Group (天津日報報業集團) (“Tianjin Daily”), an Independent Third Party, for a cash consideration of RMB13 million determined by reference to an independent valuation report. On December 16, 2009, Tianjin Tianao Sports Business Co., Ltd. (天津天奧體育產業有限公司) (“Tianjin Tianao”), an Independent Third Party and a state-owned enterprise, transferred its 10% equity interest in Sunac Ao Cheng to Sunac Zhidi for a cash consideration of RMB75.6 million, which was determined by reference to the net asset value of Sunac Ao Cheng as of June 30, 2009 and the then-prevailing business and market position of Sunac Ao Cheng. Following such transfer, Sunac Ao Cheng became a wholly owned subsidiary of our Company.

Sunac Ao Cheng is engaged in the development of the Magnetic Capital project, which is our landmark project located in a prime location adjacent to the Tianjin Olympic Sports Center in Tianjin.

### **Tianjin Xiangchi**

In September 2006, Tianjin Xiangchi was established with our Group holding a 95% equity interest and Tianjin Sunco Real Estate Property Co., Ltd (“Tianjin Sunco”) (天津順馳地產有限公司), a company which was previously controlled by Mr. Sun and subsequently transferred to an Independent Third Party, holding a 5% equity interest. Subsequently, in March 2007, Yingxin Xinheng acquired the 5% equity interest from Tianjin Sunco for a cash consideration of RMB5.95 million and, in January 2008, as part of the Reorganization, Yingxin Xinheng transferred such 5% equity interest to Sunac Zhidi for a cash consideration of RMB5.95 million, increasing our equity interest in Tianjin Xiangchi to 100%. The consideration for each of the above transfers were determined by reference to the registered capital of the target assets, being the 5% equity interest held in Sunac Zhidi.

Tianjin Xiangchi is engaged in the development of the Central of Glorious project.

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### **Chongqing Yuneng**

In April 2007, Yingxin Xinheng acquired from the shareholder at the time, Tianjin Sunco Construction Co., Ltd (“Tianjin Sunco Construction”) (天津順馳建設有限公司), a company which was previously controlled by Mr. Sun and subsequently transferred to an Independent Third Party, a 45% equity interest in Chongqing Yuneng, which is engaged in the development of the Asia Pacific Enterprise Valley project, for a cash consideration of RMB27 million. In September 2007, Yingxin Xinheng transferred such 45% equity interest to Sunac Zhidi for a cash consideration of RMB27 million as part of the Reorganization. The consideration for each of the above transfers was determined by reference to the registered capital of the target assets, being the 45% equity interest held in Sunac Zhidi. The consideration was based on arm’s length negotiation and on normal commercial terms.

Chongqing Yuneng is currently owned as to 45% by Sunac Zhidi, 40% by Chongqing Yuneng Real Estate, an Independent Third Party, and 15% by Beijing Guoxin, an Independent Third Party. Pursuant to a memorandum of negotiation dated August 18, 2010 and a confirmation letter signed by Chongqing Yuneng Real Estate dated August 28, 2010, Sunac Zhidi is pursuing a proposed acquisition of the 40% equity interest in Chongqing Yuneng from Chongqing Yuneng Real Estate. For more information, see “Financial Information – Recent Developments – Proposed Acquisitions of Chongqing Yuneng and APEV Property Management and Proposed Disposal of Chongqing Shangshan.”

### **Chongqing Shangshan**

In April 2008, Chongqing Yuneng and APEV Property Management, a connected person, entered into a joint venture agreement, pursuant to which Chongqing Yuneng and APEV Property Management agreed to inject RMB19,800,000 and RMB200,000, respectively, to set up Chongqing Shangshan. Following such capital injection, Chongqing Shangshan became a jointly controlled entity of our Company and is owned as to 99% by Chongqing Yuneng and as to 1% by APEV Property Management.

Pursuant to a memorandum of negotiation dated August 18, 2010 and a confirmation letter signed by Chongqing Yuneng Real Estate dated August 28, 2010, Chongqing Yuneng is pursuing a proposed disposal of its 85% and 14% equity interests in Chongqing Shangshan to Chongqing Yuneng Real Estate and Beijing Guoxin, respectively, and APEV Property Management is simultaneously pursuing a proposed disposal of its 1% equity interest in Chongqing Shangshan. These proposed disposals of equity interests in Chongqing Shangshan have been proposed and negotiated among the parties to the memorandum of negotiation in conjunction with certain other proposed transactions including our proposed purchase of a 40% equity interest in Chongqing Yuneng. Chongqing Shangshan is a subsidiary of Chongqing Yuneng, and the proposals of the relevant parties to such memorandum of negotiation relating to our disposal of Chongqing Shangshan to Chongqing Yuneng Real Estate and our purchase of an additional equity interest in Chongqing Yuneng from Chongqing Yuneng Real Estate were made based on arm’s length negotiation. For more information, see “Financial Information – Recent Developments – Proposed Acquisitions of Chongqing Yuneng and APEV Property Management and Proposed Disposal of Chongqing Shangshan.”

Chongqing Shangshan is currently participating in the primary land development in respect of certain land in Beibei, Chongqing.

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### **Shougang Sunac**

In August 2007, we further extended our property development business to Beijing by acquiring from Sunco Land, a company which was previously controlled by Mr. Sun, a 50% equity interest in another project company, Shougang Sunac, in consideration for our agreement to pay that party 50% of our share of the dividends distributable from the East Fairyland project, which is wholly owned by Shougang Sunac through its subsidiary Shouchi Yuda, provided that the minimum amount payable shall be RMB25 million. The consideration was calculated based on 50% of the distributable net profit from the East Fairyland project, which was arrived at after arm's length negotiation, and was on commercial terms.

Shougang Sunac is engaged in the development of the Xishan Yihaoyuan project, and, through its 100% equity interests in Shouchi Yuda, is engaged in the development of the East Fairyland project in Beijing. Details of the profit sharing ratios relating to the East Fairyland and Xishan Yihaoyuan projects are disclosed in "Business – Description of Our Property Development Projects" and note 11 to the Accountant's Report included in Appendix I to this prospectus.

### **Wuxi Sunac Real Estate, Wuxi Sunac City, Chunshen Lake and Yixing Sunac Dongjiu**

#### *Wuxi Sunac Real Estate, Wuxi Sunac City and Chunshen Lake*

In December 2007, we further expanded our property development business to Wuxi and Suzhou by acquiring, through Sunac Zhidi, a 51% equity interest in Wuxi Sunac Real Estate, which also holds a 100% equity interest in each of Wuxi Sunac City and Chunshen Lake, by way of a capital injection of approximately RMB633.2 million, of which approximately RMB104.1 million was paid towards the increase in registered capital and the remaining RMB529.1 million was paid towards capital reserve (資本公積金). The remaining 49% interest was then held by the original sole owner, Tianjin Binhai. On March 11, 2010, Tianjin Binhai transferred its 49% interest in Wuxi Sunac Real Estate to Sunac Zhidi for a cash consideration of RMB608.0 million, which has been fully paid and was determined by reference to an independent valuation of Wuxi Sunac Real Estate conducted as of September 30, 2009. Following such transfer, Wuxi Sunac Real Estate became a wholly owned subsidiary of our Company. The cash consideration paid for the acquisition of the 49% equity interest in Wuxi Sunac Real Estate was funded by internal resources of our Group and a bank loan in the amount of RMB340 million. Such bank loan was secured by a pledge of shares representing 100% of the equity interest in Wuxi Sunac Real Estate by Sunac Zhidi in favor of the lending bank.

In connection with an acquisition of a 22.0% equity interest in Chunshen Lake by Wuxi Sunac Real Estate from the relevant shareholder at the time, which was a state-owned enterprise, such state-owned enterprise failed to file any asset appraisal report or go through a public tender process as required by relevant regulations governing transfers of state-owned assets before our acquisition of Wuxi Sunac Real Estate. We have been advised by our PRC Legal Advisors that, while a state-owned enterprise is required under applicable PRC laws and regulations to complete such procedures before transferring state-owned assets, we will not be subject to any penalty for any non-compliance by the state-owned enterprise due to its failure to complete such procedures. In the event that the relevant state-owned assets administration authorities seek to nullify the transfer of the 22.0% equity interest in Chunshen Lake to Wuxi Sunac Real Estate, the subject equity interest may be required to be transferred back to the transferor and the transferor may be required to return the consideration back to Wuxi Sunac

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Real Estate. See “Risk Factors – Risks Relating to Our Business – Failure of third-party transferors to file asset appraisal reports or go through the listing-for-sale process may affect our business” for additional information. If a competent court nullifies the transfer of such equity interest to Wuxi Sunac Real Estate, our equity interest in Chunshen Lake will be reduced from 100% to 78.0%. For the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, we had a net loss attributable to such interest of nil, RMB0.8 million, RMB0.8 million and RMB0.4 million, respectively. Our Controlling Shareholders have agreed to indemnify us against all damages we may suffer as a result of such nullification.

### *Yixing Sunac Dongjiu*

On March 9, 2010, Yixing Sunac Dongjiu was incorporated in the PRC by Wuxi Sunac Real Estate with a registered capital of RMB10 million. The registered capital was increased to RMB360 million on March 12, 2010. On June 23, 2010, Rongde acquired a 10% equity interest from Wuxi Sunac Real Estate by way of a capital injection of RMB40 million. Yixing Sunac Dongjiu is owned as to 90% by Wuxi Sunac Real Estate and 10% by Rongde. The board of directors of Yixing Sunac Dongjiu comprises five members, of which Wuxi Sunac Real Estate and Rongde are entitled to nominate three directors and two directors, respectively. On April 16, 2010, Rongde and Wuxi Sunac Real Estate entered into an equity transfer agreement pursuant to which Rongde agreed to transfer the 10% equity interest in Yixing Sunac Dongjiu back to Wuxi Sunac Real Estate for a cash consideration of RMB40 million. The completion date of such transfer is March 19, 2013, or on any earlier date as agreed by the parties or as provided under the share transfer agreement. The obligations of Wuxi Sunac Real Estate to pay the consideration for the 10% equity interest to be held by Rongde are secured by charges of certain land use rights held by Yixing Sunac Dongjiu and Chunshen Lake, charges of certain properties under development held by Wuxi Sunac Real Estate and Wuxi Sunac City, and a guarantee provided by Sunac Zhidi. The Directors believe that Rongde acquired an equity interest in Yixing Sunac Dongjiu in order to be in a better position to understand the operations of Yixing Sunac Dongjiu and be able to participate in the decisions of the material matters of Yixing Sunac Dongjiu while the financing provided by it has not been fully repaid.

Pursuant to a debt assignment agreement dated April 16, 2010 entered into among WFOE-V, Rongde, Yixing Sunac Dongjiu and the entrusted bank (“Debt Assignment Agreement”), WFOE-V assigned all of its rights and obligations in certain entrusted loans to Yixing Sunac Dongjiu in the aggregate principal amount of RMB560 million to Rongde. The term of these loans was three years and the interest rate was 17.14% per annum. To secure Yixing Sunac Dongjiu’s payment obligations under these entrusted loans, certain land use rights of the Group were charged, the 100% equity interest in Sunac Ao Cheng and the entire equity interest held by Wuxi Sunac Real Estate in Yixing Sunac Dongjiu were pledged and a guarantee from Sunac Zhidi was made, all in favor of Rongde. Under the guarantee provided by Sunac Zhidi, Rongde is entitled to inspect Sunac Zhidi’s capital and financial conditions and to require Sunac Zhidi to provide its financial statements and other financial information upon request. Rongde is entitled to assign its rights and obligations under the entrusted loans to any third party without the consent of Yixing Sunac Dongjiu, as borrower, or Sunac Zhidi, as guarantor of such entrusted loans. We have been advised by our PRC Legal Advisors that the agreements entered into with Rongde regarding entrusted loans provided by Rongde to the Group are legal, valid and in compliance with the relevant PRC laws and regulations. For more information on these debt financing arrangements, see “Financial Information – Recent Developments – Yixing Sunac Dongjiu Financing.”

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Rongde, a substantial shareholder of Yixing Sunac Dongjiu, is our connected person under the Listing Rules. Rongde is a company established in the PRC whose principal business is acquisition, management and disposal of assets. To the best of our knowledge, Rongde is a non-financial asset management company owned by China Huarong Asset Management Corporation (“China Huarong”), DB Strategic Investments, DB Global Banking and Citadel Investment Group and is a sino-foreign joint venture asset management company in the PRC engaged in the acquisition, management and disposal of assets. The business scope of Rongde includes, among others, private equity investment, investment in non-performing asset, provision of financing through fixed-income products, financial advisory, management and disposal of assets and recovery of non-performing loans and pledged assets. China Huarong is a wholly state-owned financial corporation established in the PRC with a registered capital of RMB10 billion. Rongde is one of the investment platforms of China Huarong and operates in the key cities of the PRC through China Huarong’s network.

The transactions as contemplated under the Debt Assignment Agreement will constitute provision of financial assistance by a connected person, which will in turn constitute a connected transaction under Rule 14A.13(2)(b)(i) of the Listing Rules upon the Listing. This one-off connected transaction will be exempt from the reporting, announcement and independent shareholders’ approval requirement set out under Rules 14A.45 to 14A.58 of the Listing Rules after the Listing as they satisfy all the criteria set out under Rule 14A.31(9) of the Listing Rules:

- (1) the connected transaction is on normal commercial terms;
- (2) it constitutes a connected transaction only because it involves Rongde who is a connected person of our Company by virtue of its ownership of a 10% equity interest in Yixing Sunac Dongjiu only;
- (3) the value of Yixing Sunac Dongjiu’s total assets represents less than 10% of the total assets of the Group for the period since the incorporation of Yixing Sunac Dongjiu on March 9, 2010 until the Latest Practicable Date. As of the Latest Practicable Date, Yixing Sunac Dongjiu did not have any profits or revenue; hence the percentage ratios relating to profits and revenue are not applicable; and
- (4) the consideration ratio under Rule 14.07 of the Listing Rule is less than 10% assuming that the final Offer Price is no less than HK\$3.18 (being the lower end of the stated Offer Price range).

### *Property development projects*

Wuxi Sunac Real Estate is engaged in the Swan Lake project in Wuxi and, through its 100% equity interests in Wuxi Sunac City, Chunshen Lake, is engaged in the Dream of City project in Wuxi and the Suzhou 81 project in Suzhou. The Yixing project is being developed by Yixing Sunac Dongjiu.

### **Sunac Mingxiang**

On April 6, 2010, Sunac Mingxiang was established in the PRC by Sunac Zhidi with a registered capital of RMB10 million. Sunac Mingxiang is expected to be engaged in a property development project in Xingyeli, Tianjin. On July 1, 2010, each of Sunac Zhidi and Sunac Ao



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Cheng entered into a loan agreement with SDIC Trust Co., Ltd. (國投信託有限公司) (“SDIC Trust”), pursuant to which SDIC Trust agreed to provide loans in the amounts of RMB450.0 million and RMB250.0 million to Sunac Zhidi and Sunac Ao Cheng, respectively (“SDIC Trust Loans”). China National Investment & Guaranty Co., Ltd. (中國投資擔保有限公司) (“CNIG”) agreed to provide guarantees (“CNIG Guarantees”) in favor of SDIC Trust in relation to the repayment obligations of Sunac Zhidi and Sunac Ao Cheng under the SDIC Trust Loans, in respect of which our Company, Sunac Mingxiang and certain of our Directors provided back-to-back guarantees or security in favor of CNIG. For more information on the above financing arrangements, see “Financial Information – Recent Developments – Certain Recent Financings – Sunac Zhidi and Sunac Ao Cheng Financings.” As part of the financing arrangements, Sunac Zhidi first transferred to CNIG a 1% equity interest in Sunac Mingxiang, for which CNIG agreed to pay a cash consideration of RMB4 million, and CNIG further agreed to transfer such 1% equity interest back to Sunac Zhidi for the same amount of consideration upon the completion of all relevant obligations of Sunac Zhidi, Sunac Ao Cheng and Sunac Mingxiang under the above arrangements. The 1% equity interest in Sunac Mingxiang is held by CNIG principally to provide an additional form of security to CNIG for the CNIG Guarantees. However, we have been advised by our PRC Legal Advisors that, given that CNIG is a state-owned enterprise, the contemplated transfer of the 1% equity interest in Sunac Mingxiang from CNIG back to Sunac Zhidi will be subject to either (i) the approval by the State-owned Assets Supervision and Administration Commission of the State Council (“SASAC”) if a direct transfer is to be executed without going through the listing-for-sale process or (ii) the completion of the asset appraisal and listing-for-sale process relating to transfer of state-owned assets and that the financing arrangements with SDIC Trust and CNIG are legal and in compliance with the relevant PRC laws and regulations. Although we will seek to obtain the relevant approval from SASAC for a direct transfer of the 1% equity interest in Sunac Mingxiang, it is uncertain whether such approval will be obtained. In addition, if we are required to go through the listing-for-sale process, we may not be able to successfully secure the transfer back of such equity interest for RMB4 million or at all. We believe any failure to buy back such equity interest will not materially and adversely affect our financial position given that CNIG is not entitled to any dividend right in respect of such equity interest. The board of directors of Sunac Mingxiang comprises seven members, of which CNIG is entitled to nominate two.

### **Wuxi Sunac Investment**

On July 28, 2010, Wuxi Sunac Investment was established in the PRC by Sunac Zhidi with a registered capital of RMB5 million. Wuxi Sunac Investment is an investment holding company.

### **Sunac Construction**

On August 16, 2010, Sunac Construction was established in the PRC by Sunac Zhidi with a registered capital of RMB10 million. Sunac Construction was established with the intention of engaging in the development of any new property project in Beijing. Sunac Construction currently does not engage in any property development project. As of the Latest Practicable Date, it had not identified any land parcel or any third-party property development company as an acquisition target.

### **Sunac Property Management**

In March 2010, we acquired, through Sunac Zhidi, the entire equity interest in Sunac Property Management from Wanfang Property Management, an Independent Third Party, for a cash consideration of RMB100,000, which was determined based on arm’s length negotiation

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between the parties and by reference to an independent valuation of Sunac Property Management. Sunac Property Management and its wholly-owned subsidiary, Chongqing Sunac Property Management, are engaged in property management business. Chongqing Sunac Business, another wholly-owned subsidiary of Sunac Property Management, currently does not have any operations but it is intended that it will also carry on property management business. Sunac Property Management was owned as to 30% by Sunac Ao Cheng and 30% by Sunac Zhidi from January 2004 to July 2007 but such equity interests were in July 2007 disposed of to Yingxin Xinheng for an aggregate cash consideration of RMB6 million, so that the Company could focus on the property development business. We acquired Sunac Property Management in March 2010 as Sunac Property Management and Chongqing Sunac Property Management have been managing the properties developed by our Group and we believe the acquisition of Sunac Property Management allows us to ensure that high quality property management services are provided to these properties, which is in line with our business strategy of providing high-quality products and services.

### **Sunac Business**

On June 21, 2010, Sunac Business was established in the PRC by Sunac Property Management with a registered capital of RMB5 million. Sunac Business is expected to be principally engaged in provision of commercial property management services.

### **Wuxi Sunac Plants**

On July 14, 2010, Wuxi Sunac Plants was established in the PRC by Sunac Property Management with a registered capital of RMB500,000. Wuxi Sunac Plants is principally engaged in growing, leasing and sale of plants and flowers for the properties managed and developed by our Group. It is expected that such services would help increase the quality level of the properties developed and managed by our Group.

Further details of the property projects are set out in the “Business” section and details of the reorganization steps mentioned above are set out under the paragraph “Domestic Reorganization” in this section of this prospectus and under the paragraph “The Reorganization” in the “Statutory and General Information” section in Appendix VII to this prospectus.

## **THE REORGANIZATION**

In preparation for the Global Offering, our Group has taken the following reorganization steps involving overseas reorganization and domestic reorganization:

### **Overseas Reorganization**

The overseas reorganization mainly involves the Group’s establishment and/or acquisition of intermediate investment-holding companies incorporated in the BVI and in Hong Kong at nominal consideration. Details of such overseas reorganization are set out in “Statutory and General Information – The Reorganization” in Appendix VII of this prospectus.

### **Domestic Reorganization**

Details of the domestic reorganization relating to Yingxin Xinheng’s transfers into our Group of its equity interests in the major operating subsidiaries and other project companies (the “Domestic Reorganization”) are set out below.

### **Sunac Zhidi**

WFOE-I was first set up in early 2007 for the purpose of acquiring the 90.15% equity interest in Chongqing OG from Yingxin Xinheng in March 2007. Subsequently, in contemplation of

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Sunac International's issuance of the US\$200 million Exchangeable Bonds and the remittance of funds to our Groups' onshore subsidiaries, five other WFOEs were set up in the period from July to October 2007. To expedite the establishment process, each of these other WFOEs had a registered capital of not more than US\$30 million such that only approval from the local authority would be required for such establishment.

In October 2007, as part of the Reorganization, Yingxin Xinheng transferred the entire equity interest in Sunac Zhidi to WFOE-I for a cash consideration of RMB480 million. The consideration was determined by reference to the total acquisition cost paid by Yingxin Xinheng in acquiring the 100% equity interest in Sunac Zhidi.

On December 3, 2007, WFOE-I, WFOE-II and WFOE-III entered into a share transfer agreement pursuant to which WFOE-I transferred its 33.33% interest in Sunac Zhidi to WFOE-II for a consideration of RMB160.0 million, and its 33.33% interest in Sunac Zhidi to WFOE-III for a consideration of RMB160.0 million. The consideration corresponded to the total acquisition cost of the 100% equity interest in Sunac Zhidi paid by WFOE-I. On December 6, 2007, WFOE-I, WFOE-II and WFOE-III entered into a capital increase agreement to increase the capital of Sunac Zhidi by RMB560.6 million of which WFOE-I, WFOE-II and WFOE-III would contribute RMB451 million, RMB50 million and RMB59.6 million, respectively, and to the effect that its registered capital was increased to RMB760.6 million. After the capital increase, Sunac Zhidi was owned by WFOE-I, WFOE-II and WFOE-III as to 68.06%, 15.34% and 16.6%, respectively. On December 24, 2007, WFOE-I entered into another share transfer agreement with WFOE-IV, WFOE-V and WFOE-VI to transfer its 11.44%, 11.44% and 12.29% interests in Sunac Zhidi to WFOE-IV, WFOE-V and WFOE-VI, respectively, for a consideration of RMB102.33 million, RMB102.33 million and RMB110.0 million, respectively, payable by cash. The consideration was determined by reference to the original investment cost contributed by WFOE-I in Sunac Zhidi. Hence, through the above share transfers, WFOE-I received, in total, the sum of RMB634.66 million from the other WFOEs. On December 26, 2007, WFOE-I, WFOE-II, WFOE-III, WFOE-IV, WFOE-V and WFOE-VI entered into a capital increase agreement whereby WFOE-II, WFOE-IV and WFOE-V agreed to increase the capital of Sunac Zhidi by RMB139.4 million of which WFOE-II, WFOE-IV and WFOE-V would contribute RMB13 million, RMB48.65 million and RMB77.75 million, respectively, as additional registered capital, and RMB1.6 million, RMB12.35 million and RMB19.75 million respectively as capital reserve (資本公積金). After the capital increase, the total registered capital of Sunac Zhidi was increased to RMB900 million, of which WFOE-I, WFOE-II, WFOE-III, WFOE-IV, WFOE-V and WFOE-VI contributed RMB250.18 million, RMB129.66 million, RMB126.26 million, RMB135.65 million, RMB164.75 million and RMB93.50 million, respectively, resulting in WFOE-I, WFOE-II, WFOE-III, WFOE-IV, WFOE-V and WFOE-VI interested in 27.8%, 14.41%, 14.03%, 15.07%, 18.30% and 10.39%, respectively, of the registered capital of Sunac Zhidi.

The primary purpose behind transfers of equity interest in Sunac Zhidi in two tranches to WFOE-II and WFOE-III in early December 2007 and to WFOE-IV, WFOE-V and WFOE-VI in late December 2007, respectively, were to enable funds to flow from the other WFOEs to WFOE-I so that WFOE-I could have sufficient funds (derived from the consideration received from the other WFOEs as a result of these share transfers) to pay Yingxin Xinheng the RMB480 million consideration for WFOE-I's acquisition from Yingxin Xinheng of 100% equity interest in Sunac Zhidi (as part of the Domestic Reorganization in preparation for the Listing). At the same time when the above share transfers took place, we also took the opportunity to conduct a series of increases in the registered capital of Sunac Zhidi from RMB200 million to RMB900 million. As Sunac Zhidi is the holding company of our PRC-established major operating subsidiaries, the increase of its registered capital would enhance our Group's business development, particularly in terms of our Group's ability to secure bank financing.

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### ***Chongqing OG***

On March 15, 2007, Yingxin Xinheng and WFOE-I entered into a share transfer agreement pursuant to which Yingxin Xinheng transferred its 90.15% interest in Chongqing OG to WFOE-I for a cash consideration of RMB162.27 million. On November 20, 2007, after taking into account of the settlement of the outstanding account balances with Yingxin Xinheng, Yingxin Xinheng and WFOE-I entered into a supplemental share transfer agreement, pursuant to which the consideration stated in the share transfer agreement was increased to RMB710.45 million. On December 27, 2007, WFOE-I and Sunac Zhidi entered into an agreement pursuant to which WFOE-I transferred its 90.15% interest in Chongqing OG to Sunac Zhidi for a consideration of RMB710.45 million. In 2008, Sunac Zhidi acquired the remaining 9.85% equity interests from two Independent Third Parties, increasing our shareholding to 100%. The consideration of RMB177 million for the transfer of a 8.85% equity interest was determined by reference to market comparables and the potential business return of Chongqing OG while the consideration of RMB1.8 million for the transfer of a 1% equity interest was determined by reference to the registered capital of the target company.

### ***Sunac Ao Cheng***

On October 10, 2007, Sunac Zhidi and Yingxin Xinheng entered into an agreement by which Yingxin Xinheng transferred its entire 87.3% interest in Sunac Ao Cheng to Sunac Zhidi for a cash consideration of approximately RMB460.3 million. On November 11, 2007, after taking into account of the settlement of the outstanding account balances with Yingxin Xinheng, Sunac Zhidi and Yingxin Xinheng entered into a supplemental share transfer agreement, pursuant to which the consideration stated in the agreement dated October 10, 2007 was increased to approximately RMB510.34 million. The consideration in respect of these transactions was determined by reference to an independent valuation report and the outstanding account balances with Yingxin Xinheng. On July 1, 2008, Sunac Zhidi acquired an additional 2.7% equity interest in Sunac Ao Cheng from Tianjin Daily, an Independent Third Party. On December 16, 2009, we acquired the remaining 10% equity interest in Sunac Ao Cheng from Tianjin Tianao. Following such acquisition, Sunac Ao Cheng became a wholly owned subsidiary of our Company.

### ***Tianjin Xiangchi***

On January 15, 2008, Sunac Zhidi entered into a share transfer agreement with Yingxin Xinheng, pursuant to which Yingxin Xinheng transferred its 5% equity interest in Tianjin Xiangchi to Sunac Zhidi for a cash consideration of RMB5.95 million determined by reference to the registered capital of the target assets. Thereafter, Tianjin Xiangchi became a wholly-owned subsidiary of our Group.

### ***Chongqing Yuneng***

On September 24, 2007, Sunac Zhidi and Yingxin Xinheng entered into a share transfer agreement, pursuant to which Yingxin Xinheng transferred its 45% interest in Chongqing Yuneng to Sunac Zhidi for a cash consideration of RMB27.0 million determined by reference to the registered capital of the target assets.

The respective governmental authorities which approved the above transfers from Yingxin Xinheng to our Group of equity interests in Sunac Zhidi, Chongqing OG, Sunac Ao Cheng and Tianjin Xiangchi are: Tianjin Municipal Administrations for Industry and Commerce (Xiqing Sub-bureau), Chongqing Municipal Administrations for Industry and Commerce, Tianjin Municipal Administrations for Industry and Commerce (Nankai Sub-bureau) and Tianjin Municipal Administrations for Industry and Commerce (Heping Sub-bureau). The legal

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representative of Yingxin Xinheng at the relevant time, as authorized by Mr. Sun (as the person ultimately having control over Yingxin Xinheng), signed all the relevant equity transfer documents of Chongqing OG, Sunac Ao Cheng, Tianjin Xiangchi and Chongqing Yuneng on behalf of Yingxin Xinheng. We have been advised by our PRC Legal Advisors that the PRC laws and regulations did not require any of the equity transfers related to the Domestic Reorganization to be subject to independent third-party valuation.

We have been advised by our PRC Legal Advisors and the Joint Global Coordinators have been advised by their PRC legal advisor that Article 15 of 《關於外國投資者併購境內企業的規定》 (the Regulations for Merger with and Acquisition of Domestic Enterprises by Foreign Investors) (the “Acquisition Regulations”) which requires the parties to a merger and acquisition to clearly state and disclose to the competent approving authority whether there exists any connected relationship between them, is not applicable to the transfer from Yingxin Xinheng to the Group during the Domestic Reorganization and whether the parties are subject to common control is not applicable to the transfers from Yingxin Xinheng to the Group during the Domestic Reorganization. According to their advice, the “merger with and acquisition” referred thereto means merger with or acquisition of equity interests in or assets of a domestic enterprise by a “foreign investor” (外國投資者). We have been advised by our PRC Legal Advisors and the Joint Global Coordinators have been advised by their PRC legal advisor that Article 15 of the Acquisition Regulations would be applicable in either of the following scenarios:

- (i) where the merger/acquisition constitutes a merger with, or an acquisition of, equity interests in or assets of a domestic enterprise directly by a “foreign investor” as defined and set out in Article 2 of the Acquisition Regulations; or
- (ii) where the merger/acquisition falls within the scope of Article 11 of the Acquisition Regulations, which was introduced on August 8, 2006 to further capture a merger/acquisition by a “domestic company or a PRC natural person” through a foreign entity or WFOE established or controlled by it/him of equity interests in a domestic company which is related to or connected with such domestic company or PRC natural person.

Based on the fact that (i) the Domestic Reorganization only involved domestic enterprise(s) and/or WFOE(s) (not being foreign investors as such) as the purchaser and thus does not constitute a merger/acquisition under Article 2; and (ii) Mr. Sun had already obtained U.S. nationality before the promulgation of the Acquisition Regulations in August 2006 and is no longer a “PRC natural person” and thus falls outside the ambit of Article 11, it follows that none of the above scenarios (essential for the applicability of Article 15) exists in the context of the Domestic Reorganization.

Based on the above analysis explaining why Article 15 does not apply to the parties involved in the Domestic Reorganization, the arrangements among Mr. Sun and the Yingxin Xinheng Shareholders at the shareholder level of Yingxin Xinheng are not a relevant factor for consideration. We have been advised by our PRC Legal Advisors and the Joint Global Coordinators have been advised by their PRC legal advisor that such arrangements should not constitute a circumvention of the requirements under Article 15 of the Acquisition Regulations. In connection with this, we have obtained confirmations from the Commission of Foreign Trade and Economic Cooperation of Xiqing district, Tianjin (天津市西青區對外經濟貿易委員會), Commission of Foreign Trade and Economic Cooperation of Dongli district, Tianjin

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(天津市東麗區對外經濟貿易委員會) and Bureau of Investment Promotion of Dagang district, Tianjin (天津市大港區招商局), being the relevant approving authorities for the Domestic Reorganization at the place where the six WFOEs and Sunac Zhidi are located. Each of these authorities confirmed that none of the provisions under the Acquisition Regulations was applicable to the Domestic Reorganization and, hence, no approval from, or disclosure of the connected relationship to, the relevant authorities was required. The relevant regulation governing the Domestic Reorganization is the Interim Provisions of Merger with the Acquisition of Domestic Enterprises by Foreign Investors 《關於外商投資企業境內投資的暫行規定》. We have been advised by our PRC Legal Advisors and the Joint Global Coordinators have been advised by their PRC legal advisor that all requisite prior approvals and/or registration under the relevant regulations have been obtained and/or made and we are not required to disclose to the approving authorities any connected relationship or the existence of same control between the transferor and the transferee in respect of the Domestic Reorganization. Based on the aforesaid confirmations, the opinions from our PRC Legal Advisors to us and the advice given by the PRC legal advisor to the Joint Global Coordinators that the Acquisition Regulations did not apply to the Domestic Reorganization, which position was confirmed by the relevant approving governmental authorities in their confirmations, we have been advised by our PRC Legal Advisors and the Joint Global Coordinators have been advised by their PRC legal advisor that it would not be necessary to seek further confirmation from MOFCOM in this regard. Our PRC Legal Advisors confirmed that all the transfers relating to the Domestic Reorganization are valid and enforceable and all necessary prior approvals and registrations have been obtained in respect of these transfers.

### **Two Financing Rounds**

#### ***First Round Financing in March 2007 – Loan Note***

On March 23, 2007, a Loan Note in the aggregate principal amount of HK\$265 million was issued by Sunac Real Estate to Lehman and the proceeds from the Loan Note were primarily applied for the purpose of capital injection into WFOE-I. At the same time, a warrant was issued by Sunco China (the then sole shareholder of Sunac Real Estate) to Lehman granting Lehman the right to acquire certain of our Shares. The warrant was subsequently cancelled when the second round financing (details of which are set out under the heading “Second Round Financing in November 2007 – Exchangeable Bonds”) was completed. The principal amount of HK\$265 million under the Loan Note was repaid to Lehman in full in November 2007.

#### ***Second Round Financing in November 2007 – Exchangeable Bonds***

##### *Exchangeable Bonds issued in the principal amount of US\$200 million*

On October 26, 2007, Sunac International, Mr. Sun, Lehman, CDH and Lead Hill (the “Initial Subscribers”) entered into the Subscription Agreement pursuant to which Sunac International agreed to issue the Exchangeable Bonds to the Initial Subscribers in the aggregate principal amount of US\$200 million with the right (exercisable no later than May 23, 2008) to issue further Exchangeable Bonds in the aggregate principal amount of up to US\$50 million to the Initial Subscribers on substantially the same terms. The proceeds from the issue of the Exchangeable Bonds were applied as a capital injection into the WFOEs, towards the redemption of the Loan Note, towards the payment for acquisition of land as well as for general working capital purposes.

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On November 23, 2007, Exchangeable Bonds in the principal amount of US\$200 million were issued to Lehman, CDH and Leadhill in the ratio of 50:40:10. The right to issue further Exchangeable Bonds was not exercised and had subsequently lapsed.

As security for the due and punctual performance of the obligations of Mr. Sun and Sunac International under the issued Exchangeable Bonds, the entire equity interests in Sunac International, our Company and certain of our subsidiaries incorporated in Hong Kong and the BVI, as well as substantially all of the equity interests in the WFOEs, were charged and/or pledged in favor of the security agent of the Bondholders (collectively, the "Equity Charges"). The Equity Charges would be released or discharged upon exchange of the Exchangeable Bonds into Shares or redemption of the Exchange Bonds on their maturity date. For principal terms of the Exchangeable Bonds, see "– Principal terms of the Exchangeable Bonds" below.

### *Lehman Option*

On the same date of the Subscription Agreement, in consideration of US\$1.00, Mr. Sun and Sunac International granted Lehman a call option ("Lehman Option") with the right exercisable during the option period (which would end on the earlier of the date being seven days prior to the date of the listing hearing or November 23, 2010) to require Mr. Sun and/or Sunac International to sell and transfer to it at an exercise price of US\$1 million for such number of US\$ Shares representing 2.5% of the issued share capital of our Company as at closing of the Exchangeable Bonds (i.e. 250,000 US\$ Shares).

### **Transfer of the Exchangeable Bonds in the principal amount of US\$100 million and issuance of the Bain Capital Option and the DB Option**

Pursuant to an order of the High Court of Hong Kong dated September 19, 2008, several partners of KPMG were appointed as provisional liquidators of Lehman. On March 20, 2009, Mr. Paul Jeremy Brough, Mr. Edward Simon Middleton and Mr. Patrick Cowley were appointed as the joint and several liquidators of Lehman (the "Lehman Liquidators").

On September 23, 2009, Sunac International, Mr. Sun, Lehman (represented by the Lehman Liquidators) and the Lehman Liquidators entered into an agreement whereby Lehman agreed to (i) sell to Sunac International all its legal and beneficial interest in respect of the Exchangeable Bonds in the principal amount of US\$100 million (the "Sale Bonds") and (ii) assign to Sunac International all of the rights of Lehman under the Subscription Agreement and any claims that Lehman may have against Mr. Sun, Sunac International and/or the Company in respect of the Sale Bonds (the "Assigned Rights") and (iii) cancel the Lehman Option, at a total cash consideration of US\$96 million. On the same day, Sunac International, Bain Capital and DB London entered into a sale and purchase agreement (the "Transfer Agreement") whereby Sunac International agreed to (i) sell to Bain Capital 80% of each of the Sale Bonds and the Assigned Rights and issue to Bain Capital a call option (the "Bain Capital Option") whereby Bain Capital is entitled to require Sunac International to sell and transfer to it at an exercise price of US\$800,000 an aggregate of 401,208 US\$ Shares (representing 2.0060% of the issued share capital of the Company as of the date of issue of the Bain Capital Option), at a total cash consideration of US\$76.8 million; and (ii) sell to DB London 20% of each of the Sale Bonds and the Assigned Rights and issue to DB London a call option (the "DB Option") whereby DB London is entitled to require Sunac International to sell and transfer to it at an exercise price of US\$200,000 an aggregate of 100,302 US\$ Shares (representing 0.5015% of the issued share capital of the Company as of the date of issue of the DB Option), at a total cash consideration of US\$19.2 million. The transactions contemplated above were completed on September 30, 2009, upon which Bain Capital and DB London together assumed all of Lehman's rights under the Sale Bonds and the Subscription Agreement. For details regarding these rights, see "– Principal terms of the Exchangeable Bonds" below.

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Immediately upon completion of the Transfer Agreement on September 30, 2009, the Bain Capital Option and the DB Option were exercised and 401,208 US\$ Shares and 100,302 US\$ Shares were transferred by Sunac International to Bain Capital and DB London, respectively, on the same day.

### Exchange of the Exchangeable Bonds

The Exchangeable Bonds are exchangeable at the option of the Bondholders into Shares at any time before 4:00 pm (Hong Kong time) on November 22, 2010 (subject to extension) but are subject to automatic exchange upon the occurrence of a Qualified IPO or a Deemed-QIPO, which Sunac International and Mr. Sun are required under the Bond Conditions to procure to occur on or before November 23, 2009 (subsequently extended to on or before November 23, 2011 for a majority of the Bondholders).

Based on the current Offer Price range and the current offering structure, the Global Offering will constitute a Qualified IPO and the automatic exchange will take place immediately before Listing. Sunac International will be required to transfer 5,671,126 Shares to the Bondholders immediately before the Capitalization Issue and the Global Offering (assuming no adjustment event as mentioned in the Bond Conditions has occurred). As such, the Bondholders will, immediately upon completion of the Capitalization Issue and the Global Offering (assuming no adjustment event as mentioned in the Bond Conditions has occurred), be interested in an aggregate of 638,001,674 Shares (excluding the Shares acquired from exercising the Bain Capital Option and the DB Option), representing 21.27% of the enlarged issued share capital of our Company immediately upon Listing (assuming the Over-allotment Option has not been exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the Pre-IPO Share Options or the Trustee Option). As such, the effective price of the Shares to be exchanged under the Exchangeable Bonds will be equivalent to approximately US\$0.3135 or approximately HK\$2.43 per Share. This represents a discount of approximately 23.6% to the lower end of the stated Offer Price range of HK\$3.18 and a discount of approximately 38.9% to the higher end of the stated Offer Price range of HK\$3.98.

### Principal terms of the Exchangeable Bonds

Issuer Sunac International

Existing Bondholders and the respective principal amount of the Exchangeable Bonds	Existing Bondholders	Principal amount of Exchangeable Bonds
	Bain Capital .....	US\$80,000,000
	CDH.....	US\$80,000,000
	Lead Hill.....	US\$20,000,000
	DB London.....	US\$20,000,000
	<b>Total .....</b>	<b>US\$200,000,000</b>

The Bondholders are Independent Third Parties who are not connected with our Group.



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Interest	7% per annum, payable semi-annually in arrears on May 23 and November 23 and if such date is not a business day, the business day immediately preceding such date.
Maturity date	November 23, 2010 (such date has been extended for a majority of the Bondholders to November 23, 2011)
Redemption amount at maturity	100% of the principal amount and a sum that would result in the Bondholders receiving an internal rate of return of 20% per annum on the principal amount
Exchange rights	<p>The Exchangeable Bonds are exchangeable at the option of the Bondholders into US\$ Shares (subsequently agreed by Bondholders that the Exchangeable Bonds be exchanged for Shares as a result of a change in par value of the ordinary shares of the Company (as more particularly described in the paragraph "A. Further Information About Our Company – 2. Changes in share capital in our Company" in Appendix VII to this prospectus)) at any time before 4:00 p.m. on the business day preceding the maturity date but are subject to automatic exchange upon occurrence of a Qualified IPO or a Deemed-QIPO. Each Bondholder has undertaken to Sunac International that, if required by the Joint Global Coordinators, each will provide an undertaking not to dispose of the Shares obtained through exchange rights of the Exchangeable Bonds up to a period of not more than six months after the date of Listing. The Joint Global Coordinators have requested from each Bondholder, and each Bondholder has provided, a lock-up undertaking for a period of six months from the Listing Date.</p>
Exchange Ratio and Shares to be Exchanged/Transferred	<p>Subject to the occurrence of any Adjustment Event (as defined below), the number of Shares to be exchanged (per US\$1 million principal amount of the issued Exchangeable Bonds) effected through transfer of Shares by Sunac International is inversely proportional to the sum total (the "Post-Money Valuation") of:</p> <ul style="list-style-type: none"><li>(i) an agreed valuation of Sunac International (based on the assumption that Sunac International would complete the acquisitions of the minority interest in certain specified project companies ("Project Companies")); and</li><li>(ii) the total principal amount of the Exchangeable Bonds (being US\$200 million).</li></ul>

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For the purpose of the Exchangeable Bonds, Adjustment Events shall include: (i) the revocation by the relevant authority of the transfer of certain land parcels or the transfer of equity interest in the Project Companies; (ii) the Group's failure to acquire the remaining minority interests in the Project Companies before the specified deadline or at or below the specified maximum purchase price; and (iii) a Deemed-QIPO.

Qualified IPO means a public offering of Shares in respect of which: (i) the market capitalization is not less than the sum total of (a) gross proceeds arising from the issue of Offer Shares and (b) US\$900,000,000 or its equivalent in HK dollars; and (ii) the number of Offer Shares is not less than 25% of the total number of issued and outstanding Shares on a fully diluted basis upon Listing.

If no Adjustment Event has occurred, the exchange ratio for each US\$1 million principal amount of Exchangeable Bonds is 28,355 Shares (after rounding down) on the basis of 20,000,000 Shares in issue. Upon full exchange of the Exchangeable Bonds, a total of 5,671,126 Shares, representing 28.36% of the current total issued share capital of our Company, will be transferred to the Bondholders.

If an Adjustment Event occurs (other than a Deemed-QIPO), the Post-Money Valuation will be reduced by the reduction in the valuation of Sunac International due to such Adjustment Event and both the exchange ratio and the number of Shares to be exchanged will be adjusted upwards correspondingly. Further, in the event that the Bondholders elect to proceed with a Deemed-QIPO, the exchange ratio will be adjusted upwards by reference to the lower of (i) the Post-Money Valuation (after taking into account the adjustments from the Adjustment Events (if any)); and (ii) the amount derived from a ratchet based on the then market capitalization (net of all gross proceeds arising from the issue of new Shares and the reduction in the valuation of Sunac International arising from any Adjustment Events (other than a Deemed-QIPO)). If an Adjustment Event occurs after the exchange rights have been exercised by the Bondholders (other than a mandatory exchange), then additional Shares shall subsequently be transferred by Sunac International to the Bondholders at nil consideration to make up the shortfall.

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It was originally agreed that there would be an adjustment to the exchange ratio in the event that our purchase of the 10% remaining interest in Sunac Ao Cheng exceeded the stipulated threshold amount (RMB35,000,000). As further agreed by the Bondholders, although the consideration for our purchase of the 10% remaining interest in Sunac Ao Cheng exceeded such stipulated threshold amount, the adjustment to the exchange ratio has been waived.

As of the Latest Practicable Date, no Adjustment Event has occurred. Based on the current offering structure and Offer Price range, the Global Offering will constitute a Qualified IPO.

In the best case scenario, assuming no notification of revocation of transfer is received after the Latest Practicable Date, no adjustment would be required to be made to the exchange ratio before Listing, and the Exchangeable Bonds will be automatically exchanged into Shares immediately prior to the Capitalization Issue and the Global Offering, an aggregate of 5,671,126 Shares will be transferred to the Bondholders by Sunac International, representing approximately 28.36% of the current total issued share capital of our Company (being 20,000,000 Shares in issue) immediately prior to the Capitalization Issue and the Global Offering.

However, in the worst case scenario, if Adjustment Events involving revocations of land parcels and equity interest in the Project Companies occur after the Latest Practicable Date and before Listing, the exchange ratio would be required to be adjusted upward. Based on the Bond Conditions, the maximum number of Shares which may be transferred by Sunac International to the Bondholders under such situation would be 5,832,314 Shares, representing approximately 29.16% of the total issued share capital of our Company immediately before the Capitalization Issue and the Global Offering.

Since the above transfers will be made immediately before the Capitalization Issue and the Global Offering, the restrictions under Rules 10.07 and 10.08 of the Listing Rules will not be applicable.

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Early redemption by Sunac International

If at any time the aggregate outstanding principal amount of the Exchangeable Bond shall be US\$40 million or less, Sunac International shall have the right to require that all (but not part only) of the outstanding Exchangeable Bonds shall be redeemed prior to the maturity date and the amount payable upon such redemption shall be the principal amount outstanding and all interest accrued and unpaid on such amount.

Early redemption by Bondholders

(i) If a Qualified IPO fails to occur within 24 months from November 23, 2007 (such deadline has been extended to November 23, 2011), the security agent may issue a declaration, upon receiving instruction from the majority Bondholders, stating that the outstanding amount of the Exchangeable Bonds has become due immediately and repayable.

(ii) If an event of default (as defined in the Bond Conditions) occurs, the security agent of the Bondholders may, upon receiving instruction from the majority Bondholders, issue a written notice to Sunac International stating that the outstanding amount of the Exchangeable Bonds has become due immediately and repayable.

Pursuant to the Bond Conditions, "majority Bondholders" means a Bondholder or the Bondholders together holding more than 50% of the aggregate principal amount of the Exchangeable Bonds outstanding.

Collateral

The entire equity interests in Sunac International, our Company and certain of our subsidiaries incorporated in Hong Kong and the BVI, as well as substantially all of the equity interests in the WFOEs, were charged and/or pledged in favor of the security agent of the Bondholders (collectively, the "Equity Charges"). Based on the current offering structure and Offer Price range, the Global Offering will constitute a Qualified IPO and the Exchangeable Bonds will be exchanged into Shares, all Equity Charges would be released immediately upon the completion of the Global Offering except those charges over the equity interests in certain of our PRC-incorporated subsidiaries, which would be released only upon obtaining approvals from the relevant PRC authorities. Our PRC Legal Advisors are of the view that there will be no legal impediment to the obtaining of all necessary approvals if all such charges are released in accordance with the Bond Conditions.

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## HISTORY, REORGANIZATION AND GROUP STRUCTURE

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Transferability	The Exchangeable Bonds may be transferred by the Bondholders in accordance with the terms and conditions of the Exchangeable Bonds. The aggregate principal amount of the Exchangeable Bonds being transferred shall not be less than US\$5,000,000, and after such transfer the transferring Bondholder will either retain the Exchangeable Bonds in aggregate principal amount of not less than US\$5,000,000 or cease to hold any Exchangeable Bond altogether.
Timing of Qualified IPO	Pursuant to the Bond Conditions, each of Sunac International and Mr. Sun has undertaken to each Bondholder to use its or his best efforts to procure the Qualified IPO to occur no later than the date falling 24 months from November 23, 2007. As agreed with the Bondholders, the latest date for the occurrence of a Qualified IPO was extended to November 23, 2011.
Deemed-QIPO	Pursuant to the Bond Conditions, if the Listing does not qualify as a Qualified IPO, the majority Bondholders may elect to forgo their right of redemption in respect of the outstanding Exchangeable Bonds held by them and instead opt for the exercise of exchange right as if the Listing were a Qualified IPO subject to adjustment to be made to the exchange ratio pursuant to the Bond Conditions (See “– Exchange Rights” above for details regarding the adjustment mechanism).
Covenants by Sunac International and Mr. Sun	So long as any Exchangeable Bond remains outstanding, each of Sunac International and Mr. Sun has given certain positive and negative covenants and granted certain rights in favor of the Bondholders, including but not limited to, the right to receive financial information of Sunac International and the Project Companies, veto rights over certain specified reserved matters, rights to appoint directors or observers to the Board and restrictions on transfer of Shares by Sunac International and Mr. Sun as well as rights of first refusal, tag-along rights and pre-emptive rights. All of these rights afforded to the Bondholders shall cease to have effect upon Listing.
Governing law	Hong Kong

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## HISTORY, REORGANIZATION AND GROUP STRUCTURE

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### Information on the Initial Subscribers/Bondholders

#### ***Lehman (in liquidation and acting through the liquidators)***

Lehman is a limited liability company organized and existing in Hong Kong, and is an indirect wholly owned subsidiary of Lehman Brothers Holdings Inc. Lehman has been engaging in, among other business activities, principal investments in Asia, as well as trading of fixed income and equities related products. A winding up order was granted by the High Court of Hong Kong on November 26, 2008.

#### ***Bain Capital***

Bain Capital, an Independent Third Party, is a Cayman Islands company limited by shares, 99.48% of whose shares are owned by Bain Capital Asia Integral Investors, L.P. ("BC Asia Integral") and 0.52% of whose shares are owned by BCIP TCV, LLC ("BCIP"). The general partner of BC Asia Integral and the administrative member of BCIP is Bain Capital Investors, LLC.

Founded in 1984, Bain Capital, LLC is a leading global investment firm whose affiliates manage approximately US\$60 billion in assets across private equity, venture capital, high-yield debt and public equity asset classes, and has more than 300 investment professionals. Headquartered in Boston, Bain Capital, LLC has offices in Chicago, New York, London, Munich, Mumbai, Hong Kong, Shanghai and Tokyo and has one of the largest in-country private equity investment teams in Europe and Asia. Bain Capital Partners, LLC has raised fourteen private equity funds which have made investments and add-on acquisitions in more than 300 companies. Bain Capital Partners, LLC has deep experience in a variety of industries and its group of dedicated operating professionals provide its portfolio companies and management partners with significant strategic and operational support.

#### ***DB London***

DB London, an Independent Third Party, is the London branch of Deutsche Bank AG. Deutsche Bank AG is incorporated in Germany and is the parent company of a group of banks and companies involved in a wide range of activities including but not limited to trading in equity, investment banking, corporate finance and global transaction banking, asset management and private wealth management. Deutsche Bank is the Hong Kong Branch of Deutsche Bank AG and is the Sole Sponsor and Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager. DB London and Deutsche Bank are both branches of the same legal entity, Deutsche Bank, AG.

#### ***CDH***

CDH, a limited liability company incorporated in the BVI, is a wholly owned subsidiary of CDH China Fund III, L.P., an exempted limited partnership organized and existing under the laws of the Cayman Islands focused on private equity investments in China.

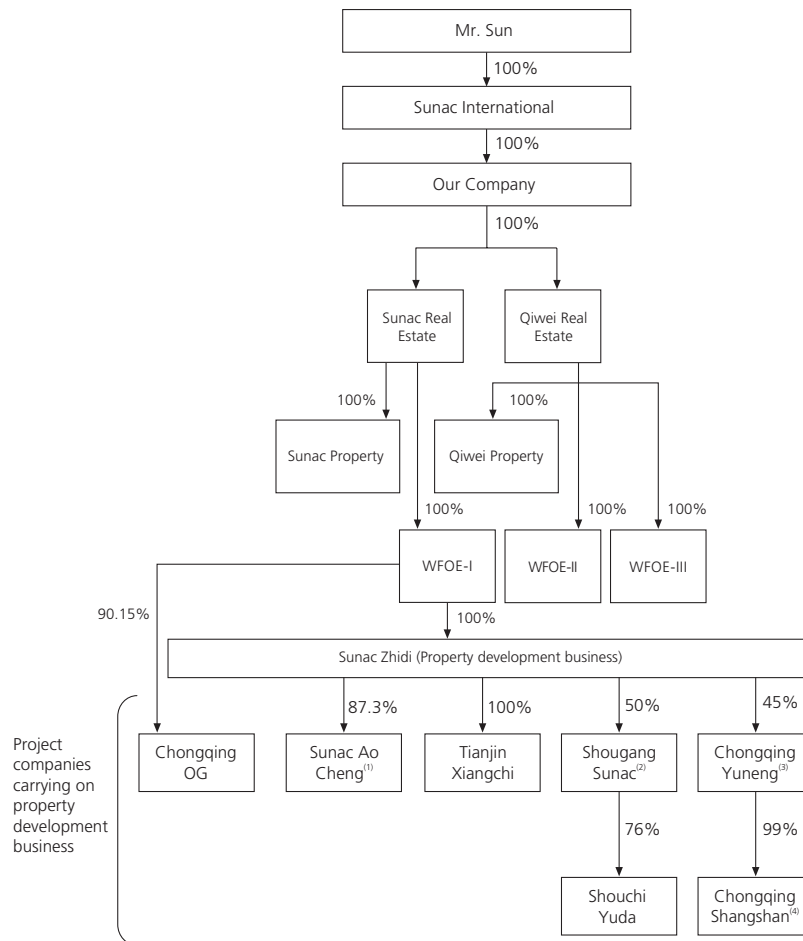
#### ***Lead Hill***

Lead Hill, a limited liability company incorporated in the BVI, is a wholly owned subsidiary of New Horizon Capital, L.P., which is a US\$500-million private equity fund focusing on investing in growth and expansionary enterprises in China.

## HISTORY, REORGANIZATION AND GROUP STRUCTURE

Pursuant to the Bond Conditions, each of Bain Capital and CDH is entitled to nominate one representative on the Board as non-executive Director. In exercise of such right, Bain Capital has one representative, Mr. Zhu Jia, and CDH has one representative, Ms. Hu Xiaoling, on the Board as non-executive Directors. Each of Lead Hill and DB London has also appointed an observer having the right to attend Board meetings but no voting rights exercisable at Board meetings. The special rights afforded to the Bondholders under the Exchangeable Bonds and the Subscription Agreement regarding the management and transfer of ownership of our Company will cease upon Listing. Further details regarding these special rights currently enjoyed by the Bondholders are set out in the paragraph headed “Principal terms of the Exchangeable Bonds” above.

### Shareholding and Group structure immediately after the issuance of the Exchangeable Bonds in November 2007



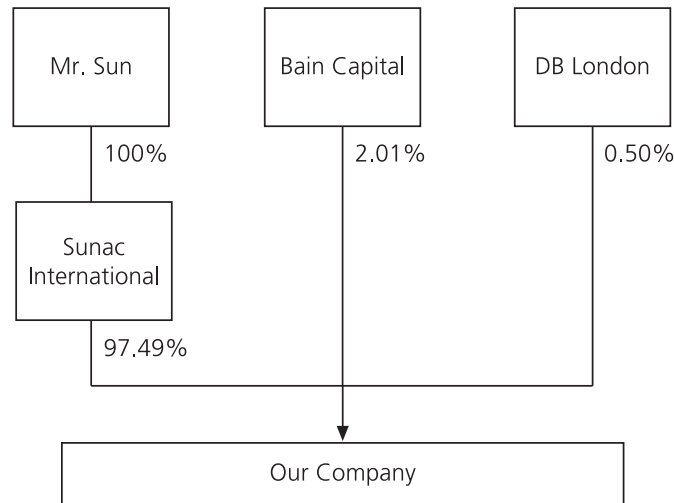
**Notes:**

- (1) The remaining 12.7% minority interest in Sunac Ao Cheng was then held by Tianjin Tianao and Tianjin Daily as to 10% and 2.7%, respectively.
- (2) Shougang Sunac is an associated company of our Group. See note 11 to the Accountant's Report in Appendix I to this prospectus for further details. The remaining 50% interest in Shougang Sunac is held by Beijing Shougang, an Independent Third Party.

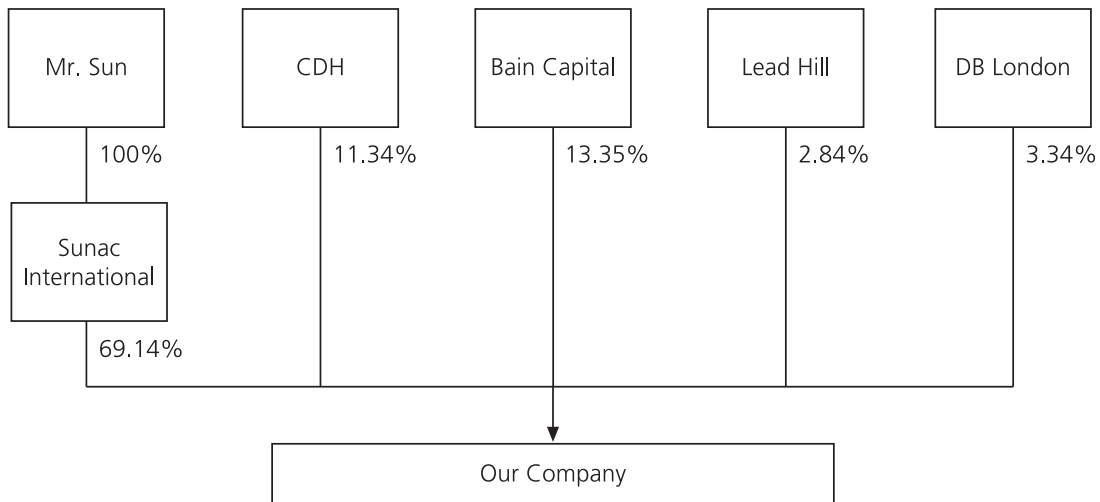
## HISTORY, REORGANIZATION AND GROUP STRUCTURE

- (3) Chongqing Yuneng is accounted for as a jointly controlled entity of our Group. See note 10 to the Accountant's Report in Appendix I to this prospectus for further details. The remaining 40% and 15% interests in Chongqing Yuneng are held by Chongqing Yuneng Real Estate and Beijing Guoxin, respectively, each an Independent Third Party.
- (4) The remaining 1% interest in Chongqing Shangshan is held by APEV Property Management, which is our connected person by reason of it being Mr. Sun's associate (as defined in the Listing Rules).

### Shareholding structure of the Company after exercise of the Bain Capital Option and the DB Option and before the exchange of the Exchangeable Bonds in full



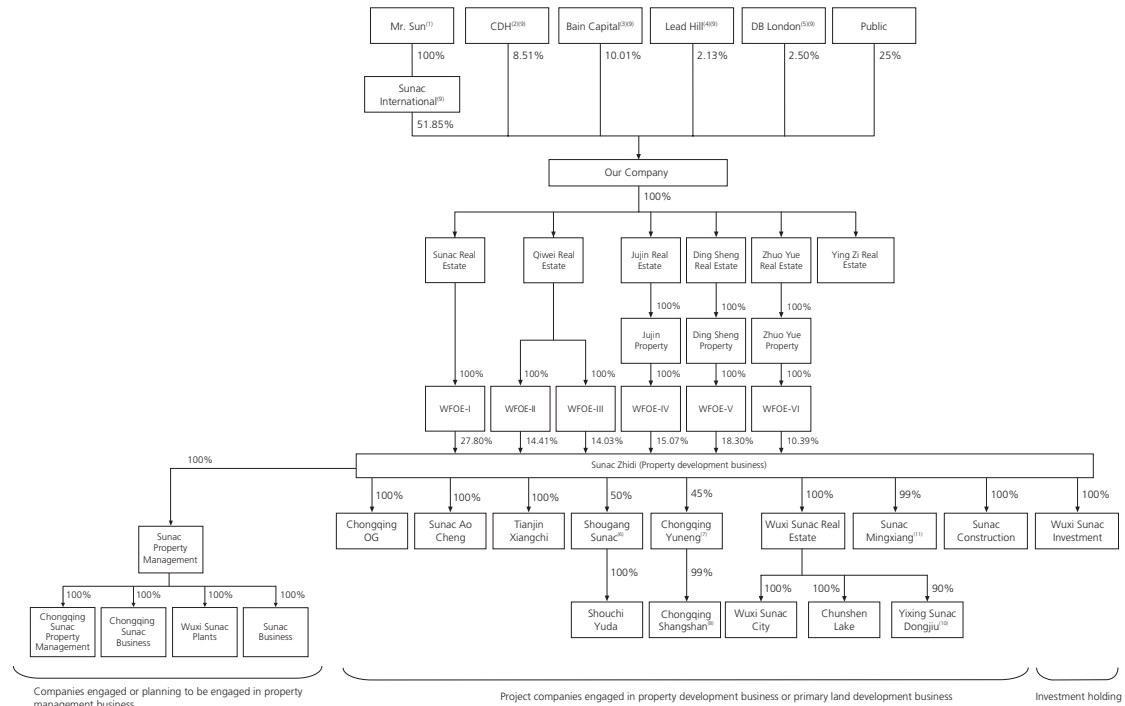
### Shareholding structure of the Company after the exchange of the Exchangeable Bonds in full and immediately before the Global Offering (assuming no adjustment is made to the exchange ratio)





# HISTORY, REORGANIZATION AND GROUP STRUCTURE

**Group and shareholding structure upon completion of the Global Offering (assuming the Over-allotment Option, the Pre-IPO Share Options and the Trustee Option are not exercised and assuming no adjustment is made to the exchange ratio under the Exchangeable Bonds)**



## Notes:

- (1) Mr. Sun, our largest Shareholder, is a U.S. citizen. He was brought up and lived in the PRC. Mr. Sun obtained his U.S. passport in 2004. He has never been a full time government official, nor a full time employee of a state or government owned or operated entity.
- (2) CDH, a limited liability company incorporated in the BVI, is a wholly owned subsidiary of CDH China Fund III, L.P., an exempted limited partnership organized and existing under the laws of the Cayman Islands focused on private equity investments in China. The Shares held by CDH will count towards the public float upon the completion of the Global Offering.
- (3) Bain Capital is a Cayman Islands company limited by shares, 99.48% of whose shares are owned by Bain Capital Asia Integral Investors, L.P. ("BC Asia Integral") and 0.52% of whose shares are owned by BCIP TCY, LLC ("BCIP"). The general partner of BC Asia Integral and the administrative member of BCIP is Bain Capital Investors, LLC.
- (4) Lead Hill, a limited liability company incorporated in the BVI, is a wholly owned subsidiary of New Horizon Capital, L.P., which is a US\$500-million private equity fund focusing on investing in growth and expansionary enterprises in China. The Shares held by Lead Hill will count towards the public float upon the completion of the Global Offering. Lead Hill will hold 63,800,100 Shares immediately upon completion of the Global Offering (assuming there is no adjustment to the exchange ratio of the Exchangeable Bonds).
- (5) DB London is the London branch of Deutsche Bank AG. Deutsche Bank AG is incorporated in Germany and is the parent company of a group of banks and companies involved in a wide range of activities including but not limited to trading in equity, investment banking, corporate finance and global transaction banking, asset management and private wealth management. The Shares held by DB London will count towards the public float upon the completion of the Global Offering.

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## HISTORY, REORGANIZATION AND GROUP STRUCTURE

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- (6) Shougang Sunac is an associated company of our Group. See note 11 to the Accountant's Report in Appendix I to this prospectus for further details. The remaining 50% interest in Shougang Sunac is held by Beijing Shougang, an Independent Third Party.
- (7) Chongqing Yuneng is accounted for as a jointly controlled entity of our Group. See note 10 to the Accountant's Report in Appendix I to this prospectus for further details. The remaining 40% and 15% interests in Chongqing Yuneng are held by Chongqing Yuneng Real Estate and Beijing Guoxin, respectively, each an Independent Third Party. Currently, Sunac Zhidi is pursuing a proposed acquisition of the 40% equity interest in Chongqing Yuneng from Chongqing Yuneng Real Estate.
- (8) The remaining 1% interest in Chongqing Shangshan is held by APEV Property Management, which is our connected person by reason of it being Mr. Sun's associate. Currently, Chongqing Yuneng is pursuing a proposed disposal of its 85% and 14% equity interests in Chongqing Shangshan to Chongqing Yuneng Real Estate and Beijing Guoxin, respectively, and APEV Property Management is simultaneously pursuing a proposed disposal of its 1% equity interest in Chongqing Shangshan.
- (9) The number of Shares held by Sunac International and the Bondholders and their shareholding percentages may be subject to change if any Adjustment Event occurs after issue of this prospectus and prior to Listing. See page 133 of this prospectus regarding the possible maximum number of Shares that may be transferred by Sunac International to the Bondholders in a worst case scenario.
- (10) The remaining 10% equity interest is held by Rongde.
- (11) The remaining 1% equity interest is held by China National Investment & Guaranty Co., Ltd. (中國投資擔保有限公司).

On August 18, 2010, Sunac Zhidi entered into a memorandum of negotiation in connection with certain proposed purchases and disposals of equity interests in certain project companies. For more information, see "Financial Information – Recent Developments – Proposed Acquisitions of Chongqing Yuneng and APEV Property Management and Proposed Disposal of Chongqing Shangshan."

### **Regulation on the acquisition of domestic enterprises by foreign investors**

On August 8, 2006, PRC governmental and regulatory agencies, including MOFCOM and the CSRC, promulgated a new regulation, namely the Regulations on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the "Acquisition Regulation"), which became effective on September 8, 2006 and was revised on June 22, 2009. The Acquisition Regulation requires that an offshore special purpose vehicle formed for listing purposes and controlled directly or indirectly by PRC companies or individuals (the "SPV") using its shares to acquire an equity interest in a domestic enterprise (the "Share Swap Acquisition") shall obtain the approval of the CSRC prior to the listing and trading of such SPV's securities on an overseas stock exchange.

As advised by our PRC Legal Advisors, our Domestic Reorganization does not include any Share Swap Acquisition as defined in the Acquisition Regulation and it is not necessary for us to obtain approval from the CSRC prior to the listing and trading our securities on the Stock Exchange.

On October 21, 2005, SAFE issued the Notice on Relevant Issues concerning Foreign Exchange Administration of Financing and Return Investment Undertaken by Domestic Residents through Overseas Special-Purpose Vehicles (the "Notice"). As advised by our PRC Legal Advisors, a "domestic resident natural person" required to complete foreign exchange registration for return investment in accordance with the Notice means a natural person who holds a legal PRC identification document such as a PRC resident identity card or passport, or a natural person who does not hold any legal identity in the PRC but habitually resides in the PRC due to

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## HISTORY, REORGANIZATION AND GROUP STRUCTURE

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economic interests. On November 24, 2005, the General Affairs Department of SAFE issued a Notice on Instructions on Implementing the Notice on Relevant Issues for Improving Foreign Debts and the Notice on Relevant Issues concerning Foreign Exchange Administration of Financing and Return Investment Undertaken by Domestic Residents through Overseas Special-Purpose Vehicles. According to such notice, “domestic resident natural person” is not limited to natural persons holding legal identity documents. On May 29, 2007, the General Affairs Department of SAFE issued another notice, a Notice on Issuing the Notice on Relevant Issues concerning Foreign Exchange Administration of Financing and Return Investment Undertaken by Domestic Residents through Overseas Special-Purpose Vehicles. According to this notice, “domestic resident natural person” includes “natural persons who have permanent residence within the PRC but leave such residence on a temporary basis for overseas travel, studies, medical treatment, work and overseas residency requirements and will return to such permanent residence thereafter” and whether or not such person holds any PRC legal identification document. Though Mr. Sun has obtained the U.S. nationality (and hence is not a PRC national person under Article 11 of the Acquisition Regulation), he is still required to complete the foreign exchange registration for the return investment according to the notice because he falls within the definition of a “domestic resident natural person” referred to in the relevant notice. Our PRC Legal Advisors confirm that Mr. Sun has completed the foreign exchange registration.

The Domestic Reorganization complies with applicable PRC laws and regulations, and all necessary approvals from PRC regulatory authorities required to implement the Domestic Reorganization have been obtained.