

Sunland Group

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28 January 2021

The Manager
Company Announcements
Australian Securities Exchange

Sale of Greenmount Hotel site for \$42.3 million

Sunland Group Limited (ASX:SDG) ("**Sunland Group**") is pleased to announce it has negotiated commercial terms in the form of a non-binding agreement (subject to execution of a final binding agreement) for the proposed sale of its Greenmount Hotel site. This follows a public expression of interest campaign that generated over 120 enquiries resulting in some 8 bids with varying values and conditions attaching to them. The final bid has been selected and this has resulted in agreement by the parties to proceed with formal documentation on terms detailed below.

The winning bidder is Arium Group Pty Ltd, a company in which Mr Soheil Abedian (Executive Chairman of Sunland Group) and Mr Sahba Abedian (Managing Director of Sunland Group) have an interest. It was therefore appropriate that Sunland Group formed an Independent Board Committee (IBC), comprising its independent (non-executive) directors, to review the commercial terms offered for each bid. Bids that contained a value and/or conditions and risks not acceptable to the IBC were rejected and the winning bid contains those commercial terms and expectations required by Sunland Group through the selling process. The IBC also considered legal implications of transacting with a related party to the Group and due to the circumstances, the transaction is subject to approval of shareholders of Sunland Group under ASX Listing Rule 10.1. This is also discussed below.

Terms of the Transaction

The proposed sale is subject to the execution of a final binding agreement between Sunland Group's wholly owned subsidiary, Sunland Greenmount Pty Ltd ("**Seller**") and Arium Group Pty Limited ("**Buyer**"). Such agreement relates to a proposed put and call option for the sale of certain property ("**the Proposed Transaction**") being land located at 3 Hill Street, Coolangatta, Queensland and the business known as "*Greenmount Beach House*" ("**the Property**"). Such land will be a new lot (of being approximately 7,028 m² in aggregate size) which is intended to be registered by the Seller ("**New Lot**").

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Conditions

The Proposed Transaction is subject to and conditional upon terms of contract acceptable to the Seller and the Buyer; registration by the Seller of the New Lot; and Sunland Group Board approval through the IBC.

Further, the Proposed Transaction is subject to and conditional upon:

- Sunland Group obtaining all and necessary third party, regulatory and/or shareholder approval or consents (as required) to give effect to the Proposed Transaction, including approval by the shareholders of Sunland Group for the purpose of ASX Listing Rule 10.1; and
- Sunland Group receipt of an independent expert's report which is acceptable to Sunland Group (including by its IBC) for the purpose of ASX Listing Rule 10.5.10.

Documentation associated with the shareholders' meeting will be completed and circulated in due course.

Commercial Terms

The key commercial terms of the Proposed Transaction are:

- **Basis:** the Seller will sell the Property to the Buyer as a going concern.
- **Option:** the sale will be effected by means of a call and put option. Once the New Lot is registered (and until 17 January 2022), the Buyer (or its nominee) may exercise a call option to purchase the Property. After that time, the Seller may exercise a put option and require the Buyer to purchase the Property.
- **Purchase price:** the purchase price payable will be \$42.3M, subject to adjustments, including outgoings, forward bookings and employee entitlements.
- **Deposit:** upon signing and exchange of the option agreement, the Buyer will pay the Seller a deposit of \$4.23M (representing 10% of the purchase price), which deposit:
 - will be released to the Seller following exchange of the Option documentation;
 - will be refunded by Sunland Group/Seller if the option does not proceed without default by the Buyer; and
 - will be credited to any deposit payable under any contract of sale upon exercise of the Option.

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The Proposed Transaction is not subject to the Buyer obtaining finance or undertaking due diligence inquiries in respect of the Property.

Current strategy and use of funds

The Proposed Transaction is consistent with the current strategy of Sunland, which involves:

- sale of certain inventory which is not currently under development; and
- completion of development of certain other projects.

If the Proposed Transaction proceeds, Sunland Group will realise approximately \$42.3 million gross proceeds (being the purchase price, plus and minus settlement adjustments), generating an after tax profit of approximately \$7.1 million.

Consistent with its current strategy, funds raised by Sunland Group pursuant to the Proposed Transaction may be used by Sunland Group for working capital, to repay liabilities, and for returning asset value to shareholders (or any of them).

Any application of funds raised pursuant to the Proposed Transaction will be subject to Board approval, necessary approvals from financiers, and compliance with any regulatory and legislative requirements.

Subject to satisfaction of the above conditions, it is currently anticipated settlement of the Proposed Transaction will be effected in or about April 2022. Until that date, Sunland Group/the Seller continues to have the benefit of the operations of the Property.

This announcement has been authorised by the Board.

Yours faithfully,



Grant Harrison
Company Secretary