

Sunland Group Limited

ACN 063 429 532

**Notice of Extraordinary General Meeting
to be held**

Date: Wednesday, 28 July 2021

Time: 10:00am (Brisbane time)

**Place: Cypress Room, RACV Royal Pines Resort Hotel
Ross Street Benowa QLD 4217**

Important:

This Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their professional adviser prior to voting.

The Proposed Transaction described in this Notice requires Shareholder approval under the Listing Rules and the *Corporations Act*. The Proposed Transaction will not proceed if the Proposed Resolution is not passed.

Shareholders should refer to the Independent Expert's Report contained inside this Notice. The Independent Expert's Report opines on the fairness and reasonableness of the Proposed Transaction to Shareholders entitled to vote on the Proposed Transaction.

The Independent Expert has determined that the Proposed Transaction referred to in this Notice is **fair and reasonable to the non-associated Shareholders**.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is given that the extraordinary general meeting of Sunland Group Limited (the **Company** or **Sunland**) will be held at Cypress Room, RACV Royal Pines Resort Hotel, Ross Street Benowa, QLD at **10:00am (Brisbane time) on 28 July 2021.**

Important: The Proposed Transaction requires Shareholder approval under the Listing Rules and the *Corporations Act*. The Proposed Transaction will not proceed if the Proposed Resolution is not passed.

Capitalised words in this Notice have the meaning given to them in the Glossary and Interpretation section 9 of the Explanatory Statement that accompanies and forms part of this Notice.

The Explanatory Statement describes in more detail the matters to be considered.

1. Agenda

Proposed Resolution – Approval of the sale of the Greenmount Property to Arium Group Pty Ltd

To consider and, if thought fit, pass the following ordinary resolution:

*“That, for the purposes of ASX Listing Rule 10.1 and section 208 of the Corporations Act, and for all other purposes, the sale by Sunland Greenmount Pty Ltd (a wholly owned subsidiary of Sunland Group Limited) to Arium Group Pty Ltd (or Nominee) (**Buyer**) of the Greenmount Property for the amount of \$42,300,000, on the terms and conditions of the Put and Call Option Agreement, and as set out in the Explanatory Statement accompanying this Notice (**Proposed Transaction**), be approved.”*

2. Independent Expert’s Report

Shareholders should carefully consider the Independent Expert’s Report contained in Annexure A which opines on whether the Proposed Transaction is fair and reasonable to Shareholders entitled to vote on the Proposed Resolution.

The Independent Expert has determined that the Proposed Transaction is fair and reasonable to the non-associated Shareholders.

3. Voting Exclusion statement

(a) ASX voting exclusion

In accordance with Listing Rules 10.1 and 14.11, the Company will disregard any votes cast in favour of the Proposed Resolution by:

- (i) the Buyer and any other person who will obtain a material benefit as a result of the Proposed Transaction (except a benefit solely by reason of being a holder of ordinary securities in the Company) (**Prescribed Persons**); or
- (ii) an Associate of the Prescribed Persons (each, an **Excluded Person**).

However, this does not apply to a vote cast in favour of the Proposed Resolution by:

- (iii) A person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (iv) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- (v) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (A) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (B) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

(b) Voting Prohibition statement

In accordance with section 224 of the *Corporations Act*, a vote on the Proposed Resolution must not be cast (in any capacity) by, or on behalf of:

- (i) a Related Party of Sunland to whom the Proposed Resolution would permit a Financial Benefit to be given; or
 - (ii) any of their associates,
- unless
- (iii) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the Proposed Resolution; and
 - (iv) It is not cast on any behalf of a Related Party or associate of the kind referred to in (i) – (iii) above.

4. Chair of the meeting

The Board proposes that Chris Freeman, or his appointee, act as Chairman of the Meeting.

5. Voting intentions of the Chairman

The Chairman intends to vote all Undirected Proxies in favour of the Proposed Resolution.

By order of the Board



Grant Harrison

Company Secretary

Date 4 June 2021

Notes

1. A copy of the Company's Constitution is available for inspection at the registered office of the Company or on the Company's website at www.sunlandgroup.com.au.
2. Under regulation 7.11.37 and 7.11.38 of the *Corporations Regulations 2001* (Cth) and in accordance with rule 5.6.1 of the ASX Settlement Operating Rules, the Board have determined that the shareholding of each Shareholder for the purposes of ascertaining their Voting Power at the general meeting will be as it appears in the Share register at 7.00pm (Sydney time) 26 July 2021. Accordingly, and subject to any Voting Exclusion and Voting Prohibition, those persons are entitled to attend and vote at the meeting.
3. A Shareholder entitled to attend and vote at this meeting of the Company may appoint a proxy or attorney to vote on their behalf. A Shareholder who is a body corporate may appoint a representative to attend and vote on its behalf.
4. A Shareholder who is entitled to cast two or more votes at the meeting may appoint two proxies or attorneys and must specify the proportion each proxy or attorney is entitled to exercise. If two proxies or attorneys are appointed and the appointment does not specify the proportion or number of the Shareholder's votes, then the appointment is of no effect and neither of them may vote. A proxy or attorney need not be a Shareholder.
5. The proxy form must be signed by the Shareholder or the Shareholder's attorney. Proxies given by a corporation must be executed in accordance with the *Corporations Act* and the constitution of that corporation.
6. To be effective, the instrument appointing a proxy (and the original power of attorney, if any, under which it is signed or a certified copy) must be received no later than 10.00am (Brisbane time) on Monday, 26 July 2021 (48 hours before the time of the meeting). Documents may be lodged electronically, in person, by mail or by fax as follows:
 - (a) electronically: www.linkmarketservices.com.au

Login to the Link's website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, Shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).
 - (b) in person: Share Registry — Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138, Australia (during business hours Monday to Friday, 9:00am – 5:00pm)
 - (c) by mail: Share Registry — Sunland Group Limited C/- Link Market Services Limited, Locked Bag A 14, Sydney South NSW 1235, Australia
 - (d) by fax: +61 2 9287 0309
7. Any proxy form received after this deadline including at the meeting will be treated as invalid.
8. If you appoint a proxy, you may still attend at the meeting. However, your proxy's rights to speak and vote at the meeting are suspended while you are present and, therefore, you will be asked to revoke your proxy upon registering your presence at the meeting.

Important information

1. This Notice is dated 4 June 2021.
2. A copy of this Notice has been lodged with ASX in accordance with Listing Rule 15.1 and ASIC in accordance with section 218 of the Corporations Act. Neither ASX nor ASIC take any responsibility for the contents of this Notice.
3. This Notice does not take into account the individual investment objectives, financial situation or particular needs of any person. Shareholders should seek professional advice from a licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser before deciding whether or not to approve the Proposed Resolution.

Enquiries

If you have any queries about the matters set out in this Notice, please contact Grant Harrison, Company Secretary, on +61 7 3456 5700 during business hours (Brisbane time) or by email gharrison@sunlandgroup.com.au.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to assist Sunland's Shareholders with their consideration of the Proposed Resolution to be put to the extraordinary general meeting to be held on Wednesday, 28 July 2021 (**EGM**). It describes in more detail the matters to be considered and should be read in its entirety.

Important: The Proposed Transaction requires Shareholder approval under the Listing Rules and the *Corporations Act*. The Proposed Transaction will not proceed if the Proposed Resolution is not passed.

1. Background of the Proposed Transaction

- (a) On 20 October 2020, Sunland announced that following a strategic review of its operations in consultation with external advisors, Sunland (including via its controlled entities) is proposing to:
 - (i) sell certain inventory which is not currently under development; and
 - (ii) complete development of certain other projects,over a period likely to be approximately three years (or more), with the intention to convert assets to cash, repay all liabilities and returning net asset value to its shareholders, subject to sale of the inventory, financiers' satisfaction and, regulatory and legislative requirements (**the Strategy**).
- (b) In accordance with the Strategy, Sunland has announced the following:
 - (i) On 18 December 2020, the sale of the property located 154-156 Marine Parade, Coolangatta (QLD) (adjoining the Greenmount Property) for a purchase price of 12.8M;
 - (ii) On 18 December 2020, the sale of a property located on Pagett Road, Carrum Downs, Melbourne (VIC) for a purchase price of 17M.
 - (iii) On 19 March 2021, the sale of a property known as "Grace on Coronation" located 600 Coronation Drive Toowong for a purchase price totalling \$43.5M
- (c) On 28 January 2021, the Company announced to ASX that it had negotiated commercial terms for the proposed sale of the Greenmount Hotel site and business known as the "*Greenmount Beach Hotel*" located at 3 Hill Street in Coolangatta (QLD) (**Greenmount Property**), owned and operated by the Company's wholly owned subsidiary Sunland Greenmount Pty Ltd (**the Seller**) to Arium Group Pty Ltd (**Arium**) or its nominee for \$42.3M (**Proposed Transaction**).
- (d) On 27 May 2021, the Seller and Arium entered into an agreement for the sale of the Greenmount Property by means of a call and put option (**Put and Call Option Agreement**) conditional on the Company obtaining Shareholder approval.

See section 4.1 below for a summary of the Put and Call Option Agreement and further details about the parties to the Proposed Transaction.
- (e) The Buyer and persons connected with the Buyer, including Sunland directors Sahba Abedian and Soheil Abedian, are Related Parties of Sunland and are described more fully in this Notice. Given those relationships, the purpose of this meeting and the Proposed Resolution is to seek and obtain the necessary Shareholder approval for the Proposed Transaction under Listing Rule 10.1 and Chapter 2E of the *Corporations Act*. Those provisions require Shareholder approval for certain transactions involving Related Parties and other persons of influence of Sunland.

2. Independent Board Committee

The Board established a range of governance protocols to consider the Proposed Transaction in light of the Related Party matters identified. These protocols included the establishment of an Independent Board Committee (**IBC**) comprising all Directors of the Company excluding Sahba Abedian and Soheil Abedian and chaired by Mr Chris Freeman. The IBC oversaw all aspects of evaluating and deciding at Board level on the Proposed Transaction.

3. Relevant Legislation

3.1 Chapter 2E of the Corporations Act

(a) Overview

The Proposed Transaction will, or may, involve a Financial Benefit being given to a Related Party or Related Parties of the Company as the Buyer will acquire the Greenmount Property for the Purchase Price.

Chapter 2E of the Corporations Act prohibits a public company (or an entity it controls) from giving a Financial Benefit to a Related Party of the public company unless providing the benefit falls within a prescribed exception to the general prohibition. Certain exceptions apply, such as where a transaction occurs on “arm’s length terms” (**Arm’s Length Exception**).

There is also an exception if the company first obtains the approval of its shareholders in a general meeting in circumstances where certain requirements specified in Chapter 2E in relation to the convening of that meeting have been met (**Shareholder Approval Exception**).

Whilst the Company considers the Proposed Transaction falls within a prescribed Arm’s Length Exception, as a matter of corporate governance best practice, the Company has decided to seek Shareholder approval under Chapter 2E.

A “**Related Party**” is defined widely in section 228 of the Corporations Act and includes, relevantly, a director (or proposed director) of a public company, any entity that controls (or is reasonably likely to control) a public company, and any entity that is controlled by a person or entity which is otherwise a Related Party, or there are reasonable grounds to believe that a person/entity is likely to become a Related Party of the public company.

A “**Financial Benefit**” for the purposes of the Corporations Act has a very wide meaning. It includes the public company selling an asset to a Related Party. It includes giving a Financial Benefit indirectly, for example, through 1 or more interposed entities. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the public company is doing (rather than just the legal form). Any consideration which is given for the Financial Benefit is to be disregarded, even if it is full or adequate, such is the case for the Proposed Transaction.

3.2 Listing Rule 10.1

(a) Overview

Chapter 10 of the Listing Rules deals with transactions between an entity (or any of its subsidiaries) and persons in a position to influence the entity.

Listing Rule 10.1 prohibits the Company from disposing a Substantial Asset to persons in a position to influence the entity unless shareholder approval is obtained. These persons are specified in Listing Rules 10.1.1 to 10.1.5 (inclusive) (**Prescribed Persons of Influence**).

Relevantly, Listing Rule 10.1.1(a) prohibits the Company (or its subsidiary) from disposing of a Substantial Asset to an entity controlled by certain persons who are otherwise Related Parties, such as Directors of Sunland or their children.

(b) Substantial Asset

An asset is treated as a substantial asset if its value, or the value of the consideration for it, is 5% or more of the listed company's equity interest as set out in the latest financial statements given to the ASX. A listed company's equity interests are the sum of paid-up capital, reserves, and accumulated profits or losses, disregarding redeemable preference share capital and outside equity interests.

The equity interests of the Company as set out in its latest financial accounts as at 31 December 2020 is approximately \$345M¹.

Therefore, any asset of the Company is substantial if its value or the value of the consideration for it is, or in ASX's opinion is, at least \$17.25M (5% of the Company's equity interests).

The Independent Expert has ascribed a value of \$40.0m to the Greenmount Property and the Purchase Price for Greenmount Property is \$42.3M. Refer to the IER in Annexure A.

As the value of the asset and/or consideration to be paid under the Proposed Transaction is more than 5% of the equity interests of the Company, the Proposed Transaction will involve a disposal of a substantial asset for the purposes of the Listing Rules.

(c) Person of Influence

The Buyer is, or may be considered to be, a Related Party and therefore a Prescribed Person of Influence, for the reasons set out in section 3.5(b) below. The Company is therefore seeking Shareholder approval for the Proposed Transaction in accordance with Listing Rule 10.1.

(d) Independent Expert Report

As required by Listing Rule 10.5.10, the Company has obtained the Independent Expert's Report (**IER**) in relation to the Proposed Transaction. The IER is annexed in Annexure A. The conclusions of the Independent Expert are summarised in section 5.

3.3 Shareholder Approval Requirement

The Proposed Resolution, if passed, will or may confer Financial Benefits on one or more Related Parties, and involve the disposal of a Substantial Asset to a Related Party.

Therefore the Company is seeking to obtain Shareholder approval in accordance with the requirements of Chapter 2E of the Corporations Act and Listing Rule 10.1.

¹ Page 7 of half year results 2021 of Sunland.

3.4 Information for Shareholders – Chapter 2E of the Corporations Act

For the purposes of Chapter 2E of the Corporations Act and for all other purposes the following information is provided to Shareholders:

- (a) **The Related Parties to whom the Proposed Resolution would permit the Financial Benefit to be given (section 219(1)(a) of the Corporations Act); and the nature of the Financial Benefit (section 219(1)(b) of the Corporations Act)**

	Related Parties	Financial Benefit
1	The Buyer is or may be a Related Party because it is controlled by, or may be considered to be controlled by, Sahba Abedian (Sunland director and Related Party) (Sahba) or Sahba and Soheil Abedian (Sunland director, Related Party).	Transfer of the Greenmount Property to the Buyer for consideration of the Purchase Price. The Independent Expert has ascribed a value of \$40.0m to the Greenmount Property. Refer to the IER in Annexure A for valuation details.
2	Sahba Abedian (Sunland director, Related Party) and/or Abedian Pty Ltd ACN 620 052 566 <i>ATF The Abedian Trust*</i> being an entity he controls.	Indirect interest in Greenmount Property through one or more interposed entities (s229(2)(a) of the Corporations Act). See table in section 4.4 below.
3	Soheil Abedian (Sunland director, Related Party) and/or Naveh Pty Ltd ACN 646 316 010 <i>ATF The Naveh Trust*</i> being an entity he controls.	Indirect interest in Greenmount Property through one or more interposed entities (s229(2)(a) of the Corporations Act). See table in section 4.4 below.
4	Mona Rezvanipour (daughter of Sunland director, Related Party) and/or Rezvani Corporation Pty Ltd ACN 639 826 949 (as trustee)* being an entity she may control in the future.	Indirect interest in Greenmount Property through one or more interposed entities (s229(2)(a) of the Corporations Act). See table in section 4.4 below.

**Note: The beneficiaries of the trust include persons who are, or may be, Related Parties (along with non-Related Parties). The trust is a discretionary trust and each beneficiary has no vested interest in the trust fund and cannot require the trustee to exercise its discretion to appoint income or capital in a beneficiary's favour. As such it is not possible to identify whether any Related Party will necessarily receive a Financial Benefit upon distribution of capital or income of the trust as a consequence of a Related Party being a beneficiary.*

- (b) **Directors' Recommendation (section 219(1)(c) of the Corporations Act)**

For the reasons set out in section 7, the Independent Directors recommend that Shareholders vote in favour of the Proposed Resolution.

Soheil Abedian and Sahba Abedian have abstained from providing a recommendation about the Proposed Resolution because they do not consider themselves justified in making a recommendation as they each have an interest in the outcome of the Resolution. They are each a Related Party of the Company and will receive a Financial Benefit (indirectly) from the Company (via its subsidiary – the Seller) if the Proposed Transaction proceeds.

(c) **Directors' Interest in the outcome of the Proposed Resolution (section 219(1)(d) of the Corporations Act)**

Director	Interest
Soheil Abedian	<ul style="list-style-type: none"> Soheil Abedian is the sole director and shareholder of Naveh Pty Ltd ACN 646 316 010 (Naveh). Naveh holds 33.33% of the shares in Arium ATF the Naveh Trust (a discretionary trust). Soheil's grandchildren are the primary beneficiaries of the Naveh Trust. The beneficiaries may also include certain other relatives and persons or entities connected with Soheil Abedian. Soheil Abedian is not a primary beneficiary. <p>Note: A beneficiary of the Naveh Trust has a mere expectancy, and does not have any interest in any Naveh Trust income nor any part of the Naveh Trust fund, unless and until, and then only to the extent that, any property or income of the Naveh Trust fund are fully and finally vested in that beneficiary absolutely in accordance with the trust deed and applicable law.</p>
Ronald John Eames	Nil
Christopher Robin Freeman	Nil
Rebecca Jane Frizelle	Nil
Vahid Saberi	Nil
Sahba Abedian	<ul style="list-style-type: none"> Sahba Abedian is a director of Arium. Sahba Abedian is the sole director and shareholder of Abedian Pty Ltd ACN 620 052 566 (Abedian). Abedian holds 33.33% of the shares in Arium ATF the Abedian Trust (a discretionary trust). Sahba Abedian and the Baha'I Faith are named beneficiaries. The beneficiaries may also include certain other relatives and persons or entities connected with Sahba Abedian. Note: A beneficiary of the Abedian Trust does not have a vested entitlement to any property or income of the trust and the trustee has a broad discretion as to allocation.

(d) **Any other information that is reasonably required by Shareholders to make a decision and that is known to the Company or any of its Directors (section 219(1) and 219(2) of the Corporations Act)**

(i) Opportunity Costs

The opportunity cost, and benefits foregone by the Company, in disposing of the Greenmount Property to the Buyer are that the Company will no longer have the potential to derive profits by developing the Greenmount Property itself or from further capital appreciation. Those are no different to the opportunity costs if the Seller were to dispose of the Greenmount Property to any other third party purchaser for the same Purchase Price and on the same terms and conditions. To the extent that the impact of the disposal of the Greenmount Property may be detrimental to the Company, this is considered to be more than offset by the advantages of the Proposed

Transaction described in section 7.2, noting that the Seller is receiving the Purchase Price as consideration for the Greenmount Property.

(ii) **Taxation Consequences**

The Greenmount Property is being sold as a going concern so there are no GST consequences for the sale of the property. Usual income tax liability will accrue to the Company on the profit generated by the sale.

No stamp duty will be payable by the Company or the Seller in respect of the Proposed Transaction. Except as set out in this Explanatory Statement, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to the benefits contemplated by the Proposed Resolution.

3.5 Information for Shareholders – Listing Rule 10.1

For the purposes of Listing Rule 10.5 and for all other purposes the following information is provided:

(a) **Person to whom the Company (or its subsidiary) is disposing of the substantial asset**

The Company is disposing of the Substantial Asset to the Buyer. Further details about the Buyer are set out in section 4.1(b) below.

(b) **Influence – which category in Listing Rules 10.1.1 – 10.1.5 the person falls within and why**

Arium falls under the Related Party category in Listing Rule 10.1.1 because Arium is, or there are reasonable grounds to believe that Arium may be, controlled by persons who are themselves Related Parties under Listing Rule 10.1.1(i) – (v), on the basis that:

- (i) Sahba Abedian (Sunland director and Related Party) (**Sahba**) is one of the two Arium directors and may be considered to control Arium; or
- (ii) Sahba, together with Soheil Abedian (Sunland director and therefore Related Party), via entities that they control, hold approximately 67% of Arium shares, and may be considered to control Arium.

Further details describing the board and composition of Arium are set out in section 4.1(b) below.

The Nominee will be a wholly owned subsidiary of Arium or a company with substantially and materially the same ultimate controller(s) and legal and beneficial owners as Arium (including for the purposes of Listing Rule 10.1 and Chapter 2E of the Corporations Act).

Further details describing the board and composition of Arium are set out in section 4.1(b) below.

(c) **Details of the asset being disposed of**

The asset being disposed of is the Greenmount Property. Further details about the Greenmount Property are set out in section 4.2 and in the IER.

(d) **Consideration for the disposal**

The consideration being provided for the disposal is the Purchase Price.

(e) **The intended use of funds received for the disposal**

The Purchase Price will be used by the Sunland Group to continue with its Strategy as detailed in section 1(a) and ASX announcement 20 October 2020. Subject to the discretion of the directors and the business needs of the Company at the time of settlement, the directors will consider allocating settlement monies toward working capital requirements, repayment of

liabilities, and returning asset value to shareholders through a dividend, or a combination of these alternatives.

(f) **Timetable for completing the disposal**

The indicative timetable for the Proposed Transaction is set out in section 4.6 below.

(g) **A summary of any other material terms of the agreement**

A summary of the material terms of the Proposed Transaction are set out in section 4.1 below.

(h) **A voting exclusion statement**

The voting exclusion statement for the purpose of Listing Rule 10.1 is set out in section 3 on page 2 of this Notice.

(i) **Independent Expert's Report**

The Company has obtained the Independent Expert's Report in relation to the Proposed Transaction. The IER is contained in Annexure A.

4. Proposed Transaction Details

4.1 Put and Call Option Agreement summary

The key terms of the Put and Call Option Agreement are as follows:

- (a) **Seller:** Sunland Greenmount Pty Ltd.
- (b) **Buyer:** Arium (or its Nominee).
- (c) **Sale:** the Seller will sell the Greenmount Property to the Buyer as a going concern.
- (d) **Completion:** completion is subject to the satisfaction of certain conditions, including the Company obtaining necessary third party, regulatory and Shareholder approval.
- (e) **Option:**
 - (i) Arium may exercise a call option to purchase the Greenmount Property prior to 17 January 2022 (**Call Option Expiry Date**).
 - (ii) For a period of 30 days after the Call Option Expiry Date, the Seller then has the right to exercise the put option and require Arium to purchase the Greenmount Property.
 - (iii) There are nominal option fees of \$1 each.
- (f) **Purchase price:** \$42,300,000, payable on completion, subject to customary adjustments, including in respect of outgoings, forward bookings and employee entitlements, among other things.
- (g) **Security Deposit:** the Buyer has paid and released to the Seller a Security Deposit of \$4.23M (representing 10% of the purchase price) (**Security Deposit**), which will:
 - (i) be refundable by the Seller in certain circumstances, including if the option is terminated or the Put and Call Option Agreement comes to an end without default of the Buyer; and
 - (ii) be credited to the Security Deposit payable under the contract upon exercise of the option.
- (h) **Limited parent guarantee:** if the Security Deposit must be refunded to the Buyer, Sunland has provided a guarantee that the Seller will repay it.
- (i) **Nominee:** when the call option is exercised, another entity may be nominated by Arium to purchase the Greenmount Property, provided that the nominee is a wholly owned subsidiary of Arium or is a company with substantially and materially the same ultimate controller(s) and legal and beneficial owners as Arium (including for the purposes of Listing Rule 10.1 and Chapter 2E of the Corporations Act).
- (j) **No finance or due diligence condition:** the Proposed Transaction is not subject to the Buyer obtaining finance or undertaking due diligence inquiries.
- (k) **Adjoining property and adjoining easements:** the terms of the Put and Call Option Agreement protect the sale by the Seller of the Marine Parade site adjoining the Greenmount Property. In this regard, the Buyer acknowledges that:
 - (i) the Seller has entered into a put and call option agreement for the option to sell and purchase the adjoining property located at 154 – 156 Marine Parade, Coolangatta;

- (ii) easements will be required over part of the Greenmount Property in favour of the owner of the adjoining property and the Buyer accepts that the Seller may procure registration of these easements at any time;
- (iii) certain deeds for crane oversail, rock anchoring and excavation rights (for infrastructure) with adjacent site have been agreed and relevant agreement entered into;
- (iv) the above described agreements will be assigned to the Buyer; and
- (v) installation of a new Energex padmount transformer on the Greenmount Property will occur before the Call Option Expiry Date, and is currently scheduled to occur before 30 September 2021.

4.2 Greenmount Property

(a) The Greenmount Property, the subject of the Proposed Transaction, includes:

- the land located at 3 Hill Street, Coolangatta, Queensland
Lot 255 on WD5121,
SP 320261,
Title Reference 16234125;
- the business known as “*Greenmount Beach House*” operated from this land by the Seller.

(b) **Land size**

- The Company’s announcement of 28 January 2021 stated the Land forming part of the Greenmount Property would be a new lot (of being approximately 7,028 m2 in aggregate size) intended to be registered by the Seller.
- The Company subsequently re-considered excising a portion of the Greenmount Property. Instead, the Seller intends to register an easement for the pad mount transformer. If this alternative is approved by the appropriate authorities there will be no decrease in size of the Greenmount Property and a subdivision will no longer be necessary.

4.3 Seller – Sunland Greenmount Pty Ltd

Sunland Greenmount Pty Ltd ACN 167 630 131² is the Seller of the Greenmount Property. The Seller is a wholly owned subsidiary of Sunland.

The directors of Sunland are **Soheil Abedian**, Ronald John Eames, Christopher Robin Freeman, Rebecca Jane Frizelle, Vahid Saberi and **Sahba Abedian**.

4.4 Buyer – Arium (or Nominee)

Arium Group Pty Ltd ACN 646 316 270 (or its Nominee) is the Buyer of the Greenmount Property.

The directors of Arium are **Sahba Abedian** and **Riaz Rezvanipour**.

The shareholders of Arium are as set out below:

No	Arium Shareholders	Holding	Directors	Shareholders of Arium Shareholders
1.	Naveh Pty Ltd ACN	33.33%	Soheil	Soheil Abedian

² The directors of the Seller are Grant Harrison and Sahba Abedian (Sunland managing director). The company secretary is Grant Harrison.

	646 316 010 ATF <i>The Naveh Trust</i> ³		Abedian	
2.	Abedian Pty Ltd ACN 620 052 566 ATF <i>The Abedian Trust</i> ⁴	33.33%	Sahba Abedian	Sahba Abedian
3.	Rezvani Corporation Pty Ltd ACN 639 826 949 (as trustee) ⁵	33.33%	Riaz Rezvanipour	R&M Corporation Pty ACN 072 672 069 Directors: Mona Rezvanipour; Riaz Rezvanipour. Shareholders: Mona Rezvanipour ⁶ (50%); Riaz Rezvanipour (50%).

4.5 Tender process

A tender process was conducted to determine a buyer and seek to maximise the purchase price for the Greenmount Property.

The Kollosche real estate agency located in Broadbeach (QLD) was appointed by the Company as exclusive agent for the sale of the Greenmount Property (**the Agent**).

(a) Initial bids

On 25 November 2020, the Agent commenced a process of obtaining expression of interest (**EOI**) from a number of real estate parties within and outside of Queensland.

The initial stage of the EOI campaign ended on 17 December 2020 where the Agent received a total of 139 enquiries and 7 indicative non-binding offers. The offers for the Property range from \$29 million to \$50 million with varying conditions attached to them. The \$50 million offer, in particular, was conditional upon the bidder's capital raising activity including that of the deposit. Accordingly, Sunland excluded this bid from the shortlist on the basis of potential execution and settlement risks attached to the bid.

Following evaluation of the preliminary offers received, a shortlist of four bidders was agreed between Sunland and the Agent. These shortlisted bidders were considered to have an acceptable level of settlement risk and were further instructed to submit their revised unconditional offers on or before 4pm on 15 January 2021.

(b) Final bids

On 15 January 2021, the Company received an indicative, non-binding offer from Arium's lawyers for \$41.5 million.

Submission of the final bid was extended to 19 January 2021 in order to allow the bidders, specifically those introduced by the Agent, to re-consider their offers. On that date, Arium's lawyers advised the Company Arium revised the offer to \$42.3 million from the initial \$41.5 million along with a confirmation that the bid remains unconditional.

Arium made the highest offer and the Independent Board Committee assessed it to be the best offer.

Details of the tender process and bids evaluation can be found from page 13 onward of the IER.

³ See section 3.4(c) as to the beneficiaries.

⁴ See section 3.4(c) as to the beneficiaries.

⁵ See section **Error! Reference source not found.** as to the beneficiaries.

⁶ Mona is the daughter of Soheil Abedian (and spouse of Riaz Rezvanipour).

4.6 Indicative timetable

The Company anticipates completion of the Proposed Transaction will be in accordance with the following timetable:

Key Dates

Announcement of the Proposed Transaction	28 January 2021
Execution of the Call and Put Option Agreement	27 May 2021
Dispatch of the Notice	28 June 2021
Record Date for determining voting entitlements at EGM	26 July 2021
EGM to approve the Proposed Transaction	28 July 2021
ASX informed of Shareholders' decision	28 July 2021
Call Option Expiry Date *	17 January 2022
Put Option Expiry Date*	17 February 2022
Settlement Date*	28 April 2022

** Note: These dates are indicative only and may change without notice.*

5. Impact of the Proposed Transaction on the Company

5.1 Effect if the Proposed Transaction proceeds

If the Proposed Resolution is approved, the Company will be able to proceed with the Proposed Transaction in accordance with the terms of the Put and Call Option Agreement and continue with the Strategy detailed at section 1(a) and the Company's ASX announcement 20 October 2020.

The Sunland Board composition will not change as a result of the Proposed Transaction.

5.2 Effect if the Proposed Transaction does not proceed

If the Shareholders do not approve the Proposed Resolution:

- (a) The Company will not be able to proceed with the Proposed Transaction in accordance with the terms of the Put and Call Option Agreement and will not receive the \$42.3M Purchase Price.
- (b) The Seller will still retain the ability to sell the Greenmount Property to buyers who are not Related Parties or otherwise require Shareholder approval but the Seller and the Company will need to continue to seek buyers of the Greenmount Property and the Seller and the Company may have significant difficulty in finding a new buyer for the Greenmount Property.
- (c) The Company will continue to execute its operational Strategy to sell certain inventory which is not currently under development and complete of development of certain other projects.
- (d) A failure to complete the Proposed Transaction may result in a delay in reducing the Company's various debt facilities and thereby requiring the Company to continue to service debt that may otherwise be repaid. This may result in deferring the ability of the Company to distribute a future dividend.

5.3 Likely financial impact on the Company

The likely impact on the Company's financial position upon completion of settlement for the Proposed Transaction is set out in the following table:

Particulars	Value (\$M)
Net cash generated from settlement:	
• Sale price (excluding usual settlement adjustments)	\$42.3
• Tax at the company rate on Proposed Transaction	\$3.1
• Cash flow after tax	\$39.2
Profit generated from settlement after tax	\$7.1

The likely financial impact on the Company will be the conversion of the Greenmount Property (a non-current asset) to cash or cash equivalents (a current asset), which will increase the liquidity of assets for the Company and enable such assets to be used in connection with its existing Strategy.

6. Independent Expert Report

6.1 Role of the Independent Expert

The Company was required by Listing Rule 10.5 to obtain an Independent Expert's Report in respect of the Proposed Transaction for the purposes of seeking Shareholder approval. The

Independent Expert's Report assesses whether the Proposed Transaction is fair and reasonable to non-associated Shareholders.

The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the Proposed Transaction.

A copy of the Independent's Expert Report is enclosed with this Notice in Annexure A.

You are encouraged to read the Independent Expert's Report in detail and consult your professional adviser (including tax and financial advisers) if you have any questions.

6.2 Assessment of fairness

The Independent Expert commissioned Herron Todd White (**HTW**) to undertake an independent valuation of the Greenmount Property to be relied upon for the purpose of the Independent Expert's Report. An abstract of HTW Report is included in the Independent Expert's Report.⁷

In doing so, the Independent Expert has assessed, among other things, the market value of the Greenmount Property.

The Independent Expert has concluded the market value of the Greenmount Property is \$40 million⁸. As mentioned above, HTW has assessed this value on the basis of the site's highest and best use being a redevelopment site with vacant possession. The value of the Property as a continuing hotel business was therefore not assessed as it would be significantly lower than the value as a redevelopment site.

Details of the fair valuation of the Greenmount Property can be found from page 3 onward of the IER.

As the Purchase Price of \$42.3 is above the Independent Expert's assessed fair market value, the Independent Expert has concluded the Proposed Transaction is fair.

6.3 Assessment of reasonableness

The Independent Expert has concluded that the Proposed Transaction is reasonable.

The Independent Expert Report relies on ASIC Regulatory Guide 111 which establishes that the transaction is reasonable if it is fair. Accordingly, the Independent Expert has concluded that the Proposed Transaction is reasonable.

The Independent Expert has taken into account the advantages, disadvantages and various factors to assess whether the Proposed Transaction is reasonable.

Details of each of these advantages, disadvantages and factors can be found from page 4 onwards of the IER.

These factors include:

- (a) Comprehensive sale campaign process;
- (b) Premium to the Greenmount Property's current market value;
- (c) Certainty of cash consideration including an expectation to generate an after-tax profit of approximately \$7.1 million;

⁷ Appendix B of the Independent Expert Report.

⁸ IER, page 3.

- (d) The Proposed Transaction is consistent with the Company's strategies; and
- (e) In absence of a superior bid, the IBC has recommended to the non-associated Shareholders to vote in favour of the Proposed Transaction.

For the full list of matters considered by the Independent Expert in this respect, Shareholders should read the IER.

On balance, in the Independent Expert's opinion, the Proposed Transaction is reasonable.

The Independent Expert concluded that:

"The advantages outweigh the disadvantages as set out above and on this basis, it is our opinion that the Proposed Transaction is REASONABLE to the Non-Associated Shareholders of the Company."

6.4 Conclusion of the Independent Expert

The Independent Expert has determined the Proposed Transaction is fair and reasonable

The Independent Expert Report is dated 18th June 2021. There have not been any material changes to the facts on which the Independent Expert's opinion in the Independent Expert Report was based between that date and the date of this Notice.

Shareholders are urged to carefully read the Independent Expert Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made. A full copy of the Independent Expert Report accompanies this Explanatory Statement.

The Independent Expert's Report is also available on the Company's website (www.sunlandgroup.com.au).

6.5 Independent Expert Consent to be Named

The Independent Expert has given, and not before the date of the Notice withdrawn, its consent to the inclusion of the Independent Expert Report in this Notice and to the references to the Independent Expert Report in this Notice being made in the form and context in which each such reference is included.

7. Independent Directors' Recommendation

7.1 Recommendation

The Independent Directors have carefully considered the Proposed Transaction and the conclusions of the Independent Expert. In their opinion the key benefits that will be delivered to Shareholders by the Proposed Transaction outweigh its potential disadvantages and risk and the Proposed Transaction is in the best interests of Shareholders. Further advantages and disadvantages are set out below.

The Independent Directors recommend that Shareholders vote in favour of the Proposed Resolution.

Soheil Abedian and Sahba Abedian have abstained from providing a recommendation about the Proposed Resolution because they do not consider themselves justified in making a recommendation as they each have an interest in the outcome of the Proposed Resolution. They are each a Related Party of the Company and will receive a Financial Benefit (indirectly) from the Company (via its subsidiary – the Seller) if the Proposed Transaction proceeds.

7.2 Advantages of the Proposed Transaction

In addition to the advantages of the Proposed Transaction identified in the IER, the Independent Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the Proposed Resolution:

- (a) The disposal of the Greenmount Property is consistent with the Company's current Strategy announced to Shareholders on 20 October 2020.
- (b) The funds raised (generating free cash flow) by the Proposed Transaction may be used by the Company for working capital, to repay liabilities, and for returning asset value to Shareholders (or any of them).
- (c) If the Proposed Transaction proceeds, Sunland Group will realise approximately \$42.3 million gross proceeds (plus and minus settlement adjustments), generating an after tax profit of approximately \$7.1 million.
- (d) There was no superior proposal or higher bid to the Arium offer received by the tender process deadline (see tender process section 4.5).
- (e) The proceeds will assist Sunland with additional funding for working capital, settlement of outstanding liabilities or distribution to Sunland Shareholders.

7.3 Disadvantages of the Proposed Transaction

In addition to the advantages of the Proposed Transaction identified in the Independent Expert's Report, the Independent Directors have identified the Company will no longer be the direct legal or beneficial owner of the Greenmount Property.

8. Other matters

8.1 Forward-looking statements

This Explanatory Statement contains forward-looking statements that are not only based solely on historical facts but are based on current expectations about future events and results. These forward-looking statements are subject to inherent risks and uncertainties. Such risks and uncertainties include factors and risks specific to the operations of the Company, as well as general economic conditions, prevailing interest rates, conditions in the financial markets, government policies and regulations and competitive pressures. As a consequence, actual events or results may differ materially from the expectations expressed or implied in such forward-looking statements. The assumptions on which prospective financial information is based may prove to be correct or may be affected by matters not currently known to, or considered material by, Sunland.

None of the Company or its Directors (including its Independent Directors), officers, employees and advisers makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement, except to the extent required by law. Accordingly, Shareholders are cautioned about placing undue reliance on forward-looking statements contained in this Explanatory Statement.

9. Glossary and Interpretation

9.1 Definitions

In this Notice, unless the context requires otherwise, the terms listed below have the adjacent meanings ascribed to them:

Term	Definition
Agent	Kollosche real estate of Ground Floor/12-14 Albert Avenue, Broadbeach QLD 4218.
Arium	Arium Group Pty Ltd ACN 646 316 270.
Associate	has the meaning given in the Listing Rules.
ASX	the securities exchange operated by ASX Limited ACN 008 624 691 or the financial market which it operates, as applicable.
Board	the board of Directors of Sunland.
Buyer	Arium Group Pty Ltd (ACN 646 316 270) or its Nominee (as applicable).
Call Option Expiry Date	17 January 2022.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Deposit	\$4,230,000.
Directors	the directors of Sunland.
Directed Proxy Form	a proxy form which specifies how the proxy is to vote.
EGM	extraordinary general meeting of Shareholder to be held on Wednesday, 28 July 2021 as described in the Notice.
Excluded Party	has meaning given to that word in paragraph 3(a) of the Voting exclusion in the Notice.
Excluded Person	has meaning given to that word in paragraph 3(a) of the Voting exclusion in the Notice.
Explanatory Statement	this document accompanying the Notice.
Financial Benefit	has the meaning given to that term in section 229 of the Corporations Act.
Greenmount Property	has the meaning given in section 1(c) of the Explanatory Statement.

Independent Board Committee or IBC	a committee of the Board comprising the Independent Directors.
Independent Directors	the Directors other than Sahba Abedian and Soheil Abedian.
Independent Expert	Grant Thornton.
Independent Expert Report or IER	the report of the Independent Expert in relation to the Proposed Transaction accompanying this Notice.
Listing Rules	the listing rules of ASX.
Nominee	an entity described in paragraph 4.1(i) nominated by Arium Group Pty Ltd (ACN 646 316 270) to acquire the Greenmount Property.
Non-associated Shareholder	Shareholders whose votes on the Proposed Transaction are not disregarded.
Notice	this notice of EGM dated 4 June 2021 and including the Explanatory Statement.
Proposed Resolution	the ordinary resolution proposed to approve the Proposed Transaction, as set out in the Notice.
Proposed Transaction	the transaction to be considered by Shareholders pursuant to the Proposed Resolution as set out in the Explanatory Statement.
Purchase Price	proposed purchase price as described in paragraph 4.1(f).
Put and Call Option Agreement	the put and call option agreement entered into by the Seller and Arium on or about 27 May 2021.
Record Date	7:00pm (Sydney time), 26 July 2021 or such other date as Sunland determines in accordance with the Corporations Act and Listing Rules for determination of entitlement to participate in relation to the EGM.
Registry	Link Market Services Limited ACN 083 214 537, in its capacity as Sunland's share registrar.
Related Party	has the meaning given in the Corporations Act or the Listing Rules, as the context requires.
Seller	Sunland Greenmount Pty Ltd ACN 167 630 131.
Share	an issued fully paid ordinary share of the capital of Sunland.
Shareholder	a person registered as a holder of a Share at the Record Date.
Substantial Asset	has the meaning given in the Listing Rules.

Sunland or Company	Sunland Group Limited ACN 063 429 532.
Sunland Group	the Company and its controlled entities for the year ended 30 June 2020.
Undirected Proxy	a proxy which does not specify how the proxy is to vote.
Voting Exclusion	has the meaning described under paragraph 3(a) of the Notice.
Voting Power	voting entitlements of the Shareholders to attend and to vote at the EGM, subject to Voting Exclusion and Voting Prohibition.
Voting Prohibition	has the meaning described under paragraph 3(b) of the Notice.

9.2 Interpretation

In this Notice, unless the context requires otherwise:

- (a) the singular includes the plural and vice versa;
- (b) words importing one gender include other genders;
- (c) other parts of speech and grammatical forms of a word or phrase defined in this Notice have a corresponding meaning;
- (d) terms used in this Notice and defined in the Corporations Act or Listing Rules have the meanings assigned to them in the Corporations Act or Listing Rules (unless expressly provided to the contrary in this Notice);
- (e) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (f) a reference to a section, attachment and schedule is a reference to a section of and an attachment and schedule to this Notice, as relevant;
- (g) a reference to legislation or a legislative provision includes any statutory modification or substitution of that legislation or legislative provision and any subordinate legislation issued under that legislation or legislative provision;
- (h) a reference to a body or authority which ceases to exist is a reference to either a body or authority that the parties agree to substitute for the named body or authority or, failing agreement, to a body or authority having substantially the same objects as the named body or authority;
- (i) headings and bold type are for convenience only and do not affect the interpretation of this Notice;
- (j) monetary amounts are expressed in Australian dollars;
- (k) a reference to time is to Sydney time, unless otherwise noted; and
- (l) a reference to writing includes all modes of representing or reproducing words in a legible, permanent and visible form.

The Proposed Transaction and this Notice are governed by the laws of Queensland.

Annexure A Independent Expert's Report



Grant Thornton

An instinct for growth™

Sunland Group Limited

Independent Expert's Report and Financial Services Guide

21 June 2021

The Independent Directors¹
Sunland Group Limited
140A Alice Street
Brisbane, Queensland 4000

21 June 2021

**Grant Thornton Corporate
Finance Pty Ltd**
Level 17
383 Kent Street
Sydney NSW 2000
Locked Bag Q800
Queen Victoria Building NSW
1230
T +61 2 8297 2400

Dear Directors

Independent Expert's Report and Financial Services Guide

Introduction

Sunland Group Limited ("SDG", "Sunland" or the "Company") is an ASX-listed residential property developer with a market capitalisation of approximately A\$333 million as at 21 June 2021.

On 28 January 2021, Sunland announced that it had entered into a non-binding agreement with Arium Group Pty Ltd ("Arium" or the "Buyer") for the proposed sale of its Greenmount Hotel site (the "Property") to Arium for a total cash consideration of A\$42.3 million² (the "Consideration") (the "Proposed Transaction").

This final agreement relates to a proposed put and call option (the "Option Agreement") for the sale of certain property being land with an aggregate area of approximately 7,071 m² located at 3 Hill Street, Coolangatta in Queensland and the business known as the Greenmount Beach House ("the Property"). As part of the Proposed Transaction, the terms of the agreement include a proposed put and call option for Sunland Greenmount Pty Ltd³ (the "Seller") to procure registration of survey plan 320261 that creates a separate title for the land component of the Property (the "New Lot")⁴. Once the New Lot is registered and until 17 January 2022, the Buyer or its nominee may exercise the call option to purchase the Property. After that time, Sunland may exercise the put option and require Arium to purchase the Property.

Arium is a company in which Mr Soheil Abedian (Executive Chairman of Sunland) and Mr Sahba Abedian (Managing Director of Sunland) (collectively, the "Related Party") have a collective interest of 66%⁵ (33% interest individually). In addition, Mr Soheil Abedian⁶ and Mr Sahba Abedian hold approximately 37.3% and 6.9% respectively of Sunland Shares.

Sunland has established an independent board committee (the "IBC") exclusively to evaluate the Proposed Transaction.

¹ Includes Ron Eames, Chris Freeman, Rebecca Frizelle and Vahid Saberi who are all non-executive directors and referred simply as Directors throughout the Report.

² Subject to adjustments including outgoing, forward bookings and employee entitlements. Deposit of 10% is payable on the Option Agreement date and the balance payable at the Settlement Date. The Settlement Date is defined in the sale contract as 28 April 2022.

³ A wholly owned subsidiary of the Company.

⁴ Referred to as the Title Condition of the Agreement.

⁵ The remaining 33% is owned by Rezvani Corporation Pty Ltd, a 50% shareholder of which (i.e., Mona Rezvanipour) is a daughter of Soheil Abedian and considered a related party.

⁶ Including associated entities.

The Proposed Transaction is subject to the Seller registering a survey plan to create the New Lot that is substantially in accordance with the area and dimensions of the proposed lot shown on the New Lot's draft survey plan, approval by the IBC, regulatory and other approvals⁷ and an Independent Expert's Report (the "IER" or the "Report") which is acceptable to Sunland and the IBC for the purpose of the ASX Listing Rule 10.5.10.

The Proposed Transaction is not conditional upon Arium being able to obtain a loan or other finance approval.

Purpose of the Report

The IBC have engaged Grant Thornton Corporate Finance Pty Limited ("Grant Thornton Corporate Finance" or "GTCF") to prepare an IER to state whether the Proposed Transaction is fair and reasonable to Sunland Shareholders not associated with the Related Parties ("Non-Associated Shareholders") for the purposes of Chapter 2E of the Corporations Act 2001 (the "Corporations Act") and the Chapter 10 of the ASX Listing Rules.

Grant Thornton Corporate Finance has commissioned Herron Todd White ("HTW") to undertake an independent valuation of the Property to be relied upon for the purpose of this IER. HTW undertook site visit of the Property on 19 February 2021 for the purpose of undertaking the independent valuation and an abstract of HTW Report is included in Appendix B.

When preparing this IER, Grant Thornton Corporate Finance has had regard to the Australian Securities Investment Commission ("ASIC") Regulatory Guide 111 *Contents of expert reports* ("RG 111") and Regulatory Guide 112 *Independence of experts* ("RG 112"). The IER also includes other information and disclosures as required by ASIC.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the Proposed Transaction is FAIR AND REASONABLE to the Non-Associated Shareholders of the Company.

Fairness Assessment

In forming our opinion in relation to the fairness of the Proposed Transaction to the Non-Associated Shareholders of the Company, Grant Thornton Corporate Finance has considered the valuation of the Property undertaken by HTW together with the Proposed Transaction's Consideration.

Below is a summary of the fairness assessment:

Fairness assessment	Section Reference	A\$ millions
Market value of the Property	4.3	40.0
Total Consideration	1.1	42.3
Premium		2.3
Premium (%)		5.7%
FAIRNESS ASSESSMENT		FAIR

Source: The Valuation Report, GTCF analysis

⁷ Including Shareholder approval

The Consideration is higher than the recent valuation of the Property as determined by the HTW. Accordingly, we conclude that the Proposed Transaction is FAIR to the Non-Associated Shareholders of the Company.

In the valuation assessment of the Property, HTW has assumed that the Draft Survey Plan 320261 is obtained for the issuance of separate legal title to proposed Lot 1 on that plan (subject site). The valuation assessment refers to the development site value of the property only, and does not reflect the going concern value of the property under its existing use as the Greenmount Beach Resort. HTW has considered the Highest and Best Use for the property to be for redevelopment purposes which materially exceeds the current use.

Notwithstanding the large site and the strategic position, given the aging condition of the resort and the characteristics of the site in terms of its prime position and land size, and the underlying town planning parameters, HTW has considered the highest and best use of the property to be redevelopment purposes for a high density, residential apartment and/or mixed use project.

HTW believes that given the scale of a project to be built on the site (i.e. multiple towers), the absence of a development approval, the development site may be a medium term development opportunity. However, the existing resort business provide an annual holding return which is expected to offset holding costs and the future costs of demolishing and removing the resort which makes is a more palatable proposition for potential purchasers. In buoyant market conditions, the longer the property is held “as is”, the greater the benefit this interim holding return is to an owner.

We note that HTW valued the Property for financing purposes in April 2018 and in June 2020. Under these engagements, HTW valued the property under both its existing use as the Greenmount Beach Resort (going concern value) and as a redevelopment site. In each instance, the previous assessed value of the Property as a redevelopment site far exceeded the assessed value as a going concern resort hotel which confirms the highest and best use of the Property is for redevelopment purposes. The advice of the marketing agents for the property under the recent sales campaign further confirm that the majority of the interest in the property, and the highest offers received, emanated from groups looking to redevelop the site

Refer to Section 4.3 and Appendix B for further details on the Property Valuation.

Reasonableness Assessment

RG 111 establishes that transaction is reasonable if it is fair. Accordingly, we have concluded that the Proposed Transaction is reasonable. However, we have also considered the following advantages, disadvantages and other factors.

Advantages

Comprehensive sale campaign process

Sunland commissioned the Agent to undertake an expression of interest (“EOI”) campaign process between 25 November 2020 and 19 January 2021, where four final bids were received. The EOI campaign period was divided into two phases in order to provide interested bidders ample time to re-consider their bids. Information memorandum, draft term sheet and other relevant information were provided to the interested bidders following their execution of confidentiality agreement. The initial stage of the EOI campaign ended on 17 December 2020 where the Agent received a total of 139 enquiries⁸ and seven⁹ indicative, non-binding offers. The offers for the

⁸ Eight of the enquiries are classified as hot, 13 warm and the remaining 105 are cold

⁹ Excluding the offer from Arium.

Property range from A\$29 million to A\$50 million with varying conditions attached to them. The A\$50 million offer, in particular, was conditional upon the bidder's capital raising activity (including the deposit). Accordingly, Sunland excluded this bid from the shortlist on the basis of potential execution and settlement risks attached to the bid.

The whole process was managed by the Agent in coordination with executive management of Sunland, which in turn reported progress to the Board.

Following receipt of the Arium offer, Sunland took the necessary steps to protect the integrity of the EOI campaign process. At this point, the IBC was established to ensure only the independent directors deal with the EOI campaign outcomes and any decisions related to it. Since then, the IBC took responsibility documenting, evaluating the final offers received and selecting the winning bid based on criteria set by Sunland before the whole process commenced.

Premium to the Property's current market value

The Consideration offered by Arium results in an approximately 5.7% premium based on the current market value of the Property as determined by HTW. In the absence of a superior bid, the offer of A\$42.3 million submitted by Arium presents an attractive proposition to the Non-Associated Shareholders of the Company.

Certainty of cash consideration

Upon completion of the Proposed Transaction, the Company will receive significant cash proceeds and it is expecting to generate an after-tax profit of approximately A\$7.1 million¹⁰. The proceeds will assist Sunland with additional funding for working capital, settlement of outstanding liabilities or distribution to Sunland Shareholders. The COVID-19 pandemic has brought volatility to Sunland's operations, as it affected the property industry and the broader market. In FY20, Sunland's underlying earnings were lower by approximately 39% compared to FY19 mainly due to the pandemic's impact on local tourism. No interim dividend was also declared in FY20. Accordingly, Sunland has reviewed its portfolio and has taken a view that the design of some of its projects would not meet current market demand and therefore Sunland has elected to abandon the initial design of these projects.

In the absence of the Proposed Transaction, the Company may opt to utilise its standby working capital lines, defer the development of other projects until a more favourable economic conditions or not to declare any distributions to Sunland Shareholders.

The Proposed Transaction is consistent with the Company's strategies

The Proposed Transaction is consistent with Sunland's strategy of selling certain inventory which is not currently under development in favour of completing the development of certain other projects.

As the Property is currently in the design and planning phase, its sale will allow Sunland to focus on completed and other on-going development projects. If the Proposed Transaction proceeds, Sunland will also stop bearing the repair and maintenance as well as the employee costs relating to the hotel business.

¹⁰ ASX announcement dated 28 January 2021

Disadvantages

Shareholders will not be able to participate in the potential upside of the hotel business

If Sunland Shareholders approve the Proposed Transaction, they will forgo an opportunity to participate in the future upside potential of the Property and the hotel business operating on it. In the past three years to FY19, the hotel business has consistently generated revenue above A\$4 million and net operating profit of above A\$1 million¹¹, equivalent to a net margin of 25% on average. Whilst these figures are pre-COVID 19 impact, the Property Valuer believes that with the recovery of the tourism industry in line with easing of COVID-19 restrictions and opening of the state and international borders, the hotel business may achieve the same level of revenue and earnings at a minimum, based on historical data. In addition, the Non-Associated Shareholders will not be exposed to the potential upside from redeveloping the sites into a high density, residential apartment and/or mixed use project.

Sunland had intended developing the site and assessed a scheme to develop three residential towers with five attached villa units. This scheme required the use of the adjoining land which is sold in accordance with the Group's strategy. A new scheme would therefore need to be developed for the site and appropriate approvals obtained. Additionally, if Sunland was to develop the site, Sunland would require a level of debt and equity to be committed to the project and the timing of this process is not in accord with the Group's current strategy.

The Option Agreement may cause delay in receiving the proceeds from the Proposed Transaction

Whilst there is certainty of the cash consideration, there is a potential delay in the receipt of the Proposed Transaction's proceeds in view of the Option Agreement.

As provided for in the Option Agreement, the Buyer cannot exercise the Call Option until the date that is the later of the date of notification by Sunland of satisfaction or waiver of the Report Condition, Approval Condition and the Title Condition. The Call option expires on 17 January 2022. After which, the Seller has the right to exercise the Put Option. The Put Option commences when the Call Option ends and is for a period of 30 days. The Settlement Date is on 28 April 2022.

Other factors

The IBC has recommended the Non-Associated Shareholders to vote in favour of the offer

In the absence of a superior offer, the IBC has unanimously recommended the Non-Associated Shareholders approve the Proposed Transaction. Not only that it provides consideration of A\$42.3 million (plus adjustments for operations and stock), Arium offer also accepted all the commercial criteria as set out in the proposed term sheet prepared by Sunland, including agreeing to take the Property as a going concern, which is a requirement to preserve the intended GST treatment (where Sunland will not pay any GST in the sale of the Property). The offer also recognises and protects the conditional contract of sale of the neighbouring Marine Parade site. Finally, the Arium bid was not conditional on Arium obtaining development approval or finance and undertaking due diligence enquiries, thereby managing any potential execution and settlement risks attached to the bid.

Other offers received by Sunland during the EOI campaign had varying conditions attached to them, which Sunland considered as may affect the execution and settlement of an alternative transaction.

¹¹ Holding return to Sunland in the interim.

Tax consequences

The Property is being sold as a going concern. Accordingly, there are no GST consequences for the sale of the Property. Usual income tax liability will accrue to the Company on the profit generated from the Proposed Transaction. No stamp duty will be payable by the Seller in respect of the Proposed Transaction.

Reasonableness Conclusion

The advantages outweigh the disadvantages as set out above and on this basis, it is our opinion that the Proposed Transaction is **REASONABLE** to the Non-Associated Shareholders of the Company.

Overall Conclusion

After consideration of the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Proposed Transaction is **FAIR AND REASONABLE** to the Non-Associated Shareholders of the Company.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section. The decision of whether or not to vote in favour of the Proposed Transaction is a matter for each Sunland Shareholder to decide based on their own views of the value of the Property and expectations about future market conditions, the Property's performance, risk profile and investment strategy. If the Company Shareholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD



ANDREA DE CIAN
Director



JANNAYA JAMES
Director

21 June 2021

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by Sunland to provide general financial product advice in the form of the IER in relation to the Proposed Transaction. This Report is included in the Company's Notice of Meeting and Explanatory Memorandum.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our Report we provide general financial product advice. The advice in our Report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the IER, Grant Thornton Corporate Finance's client is Sunland. Grant Thornton Corporate Finance receives its remuneration from Sunland. In respect of the IER, Grant Thornton Corporate Finance will receive from Sunland a fee of A\$40,000 (plus GST), which is based on commercial rates plus reimbursement of out-of-pocket expenses for the preparation of the IER. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this Report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of Sunland and associated entities in order to provide this Report. The guidelines for independence in the preparation of independent expert's reports are set out in Regulatory Guide ("RG") 112 *Independence of expert* issued by the Australian Securities and Investments Commission ("ASIC"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this Report, and have not had within the previous two years, any shareholding in or other relationship with Sunland (and associated

entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Transaction, other than the preparation of this Report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this Report. This fee is not contingent on the outcome of the Proposed Transaction. Grant Thornton Corporate Finance's out-of-pocket expenses in relation to the preparation of the Report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this Report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC."

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

Financial Ombudsman Service Limited
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 367 287

Grant Thornton Corporate Finance is only responsible for this Report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of Section 912B of the Corporations Act, 2001.

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1 Outline of the Proposed Transaction

1.1 Background

On 20 October 2020, Sunland announced that following a strategic review of its operations¹², the Company is proposing to sell certain inventory which is not currently under development and focus on the development of certain other projects¹³ (the “Strategic Initiatives”). These Strategic Initiatives are likely to be completed over a period of at least three years, with the intention to convert assets to cash, repay all liabilities and return net asset value to Sunland shareholders¹⁴.

On 18 December 2020, in line with the Strategic Initiatives discussed above, Sunland announced the sale of the property located at 154-156 Marine Parade, Coolangatta in Queensland¹⁵ for a price of A\$12.8 million and the property located on Pagett Road, Carrum Downs in Melbourne for a price of A\$17 million. On 18 March 2021, Sunland announced the sale of a property known as “Grace on Coronation” located at 600 Coronation Drive Toowong for a purchase price of A\$43.5 million.

On 28 January 2021, Sunland announced the Proposed Transaction. The Arium bid was selected following the EOI campaign launched by Sunland through the Agent in late November 2020. The EOI campaign process finally concluded on 19 January 2021 when the shortlisted bidders submitted their final, re-considered bids at the request of the Company.

On 27 May 2021, the Seller and Arium entered into a final binding agreement for the sale of the Property via the Option Agreement conditional on the Company obtaining approval of Sunland Shareholders.

1.2 Key conditions on the Proposed Transaction

The Proposed Transaction is subject to the execution of a final binding agreement between Sunland Greenmount, a wholly owned subsidiary of the Company, and Arium. This final agreement relates to a proposed put and call option for the sale of the Property. Refer to section 1.3 below for details of the Option Agreement and related agreements. Once the New Lot is registered and until 17 January 2022, the Buyer or its nominee may exercise the call option to purchase the Property. After that time, Sunland Greenmount may exercise the put option and require Arium to purchase the Property.

The Proposed Transaction is also subject and conditional upon:

- The Seller registering a survey plan to create the Lot¹⁶ that is substantially in accordance with the area and dimensions of the proposed lot shown on the draft plan.
- Sunland’s Board approval through the IBC created exclusively to evaluate the Proposed Transaction

¹² In consultation with external advisors

¹³ These include a number of active projects in Queensland and New South Wales such as Magnoli, 272 Hedges Avenue, Lanes Residences, The Heights, The Hills Residences, Kirkdale Residences, Montaine Residences and The Sunland Collection.

¹⁴ Subject to sale of the inventory, financiers satisfaction and regulatory and legislative requirements compliance

¹⁵ Adjoining the Greenmount property

¹⁶ This includes approximately 43 square metres allocated for the pad mount to place an Energex substation. Clause 23 (Easements) of the draft term sheet provided for a need for a buyer of the Property to agree on required infrastructure / utilities easements in relation to the sale of the neighbouring Marine Parade site. For the purpose of our assessment, we have not separated the value of the 43-square metre pad mount from the total market value of the Property due to its immaterial impact. This is consistent with the approach Sunland is taking, where the Seller is currently in discussion with Energex for the easement to locate the pad mount on the current title therefore not requiring a plan of subdivision.

- Sunland obtaining all and necessary third party, regulatory and / or shareholder approval or consent (as required) to give effect to the Proposed Transaction, including approval by the shareholders of Sunland for the purpose of the ASX Listing Rule 10.1
- Sunland receipt of the IER which is acceptable for the purpose of the ASX Listing Rule 10.5.10.

The conditions above are formalised in the Option Agreement.

1.3 Put and Call Option Agreement and related deeds

Below is a summary of the key terms of the Option Agreement:

- *Call Option period* – This starts upon the Seller's notification of the satisfaction or waiver of the title¹⁷ condition, approval¹⁸ condition and report¹⁹ condition and ends on 17 January 2022.
- *Put Option period* – This starts when the Call Option period ends and up to 30 days after the Put Option period commences.
- *Option Fee* – Peppercorn amount of A\$1 (including GST) for both the Call Option and Put Option.
- *Security deposit* – This is equivalent to A\$4.23 million or 10% of the Consideration to be paid on the Option Agreement date. This has now been received by the Company. The Security deposit is refundable if Arium terminates the Option Agreement due to the Seller's default or otherwise in accordance with clause 16²⁰ of the Option Agreement.
- *Appointment of a nominee* – Arium may nominate a nominee upon exercise of the Call Option providing the nominee is a wholly owned subsidiary of the Arium or a company with substantially and materially the same ultimate controller(s) and legal and beneficial owners as Arium (including for the purposes of Listing Rule 10.1 and Chapter 2E of the Corporations Act).

The Option Agreement is supported by the following related deeds:

- *Special conditions* – Included as Annexure A to the Option Agreement, it deals with conditions enumerated in the draft term sheet circulated by the Agent (on behalf of Sunland) to the interested parties during the EOI campaign period. It also includes additional terms submitted by Arium. These special conditions deal with chattels and plant and equipment included and excluded in the sale, employees, licences, assignable agreements, settlement adjustments and adjoining property, among others.
- *Rock Anchoring and Crane Oversail Deed for Greenmount Resort* – This deed is between the owners of the Property and the adjacent property located at 154-156 Marine Parade, where the owner of the Marine Parade property is requesting Arium (as the owner of the Property) to allow installation of rock anchors into the Property as well as allowing a crane to pass through the Property subject to terms and conditions of this deed. This deed ends 10 years after Arium settles the purchase of the Property.

¹⁷ Title date means 31 December 2021 or as extended pursuant to clause 5.4 of the Option Agreement.

¹⁸ Approval date is 105 days after the Option Agreement date or as extended pursuant to clause 4.6 of the Option Agreement.

¹⁹ Report date is 75 days after the Option Agreement date or as extended pursuant to clause 3.6 of the Option Agreement.

²⁰ Entitlement to security deposit

- *Rock Anchoring and Crane Oversail Deed for 154-156 Marine Parade* – This deed is between the Seller and the owner of the Marine Parade property, where the Seller is requesting the owner of the Marine Parade property to allow installation of rock anchors into the Marine Parade property as well as allowing a crane to pass through the Marine Parade property subject to terms and conditions of this deed. This is in view of the future development of the Property. This deed ends 10 years after the new owner of the Marine Parade property settles the purchase of this property.
- *Excavation & Construction Licence Deed* – This deed is between the Seller and Arium, where the Seller is granting Arium a licence to use the licenced area²¹ subject to terms and conditions of this deed. This deed ends 10 years after the date of this deed.
- *Deed of Covenant on Sale of Greenmount Resort* – This deed is among the Seller (as an outgoing party), Arium (as an incoming party) and Rainbow Bay 2021 Pty Ltd (as a continuing party) covering the Property. The outgoing party agreed with the continuing party that it would obtain a deed of covenant from the incoming party if the outgoing party effected a transfer dealing²² in relation to the Property. This deed is effective from the date the transfer dealing is completed.
- Guaranty and Indemnity between Arium and Sunland.

1.4 Expression of interest campaign

Initial bids

On 25 November 2020, the agent (the “Agent”) commenced a process of obtaining expression of interest from a number of real estate players within and outside of Queensland. As part of the EOI campaign, the Agent provided interested parties with a copy of the Property’s information memorandum and a template of the Proposed Transaction’s term sheet. After execution of a confidentiality agreement, they have also been given access to a data room containing relevant information on the Property and hotel operations.

The initial stage of the EOI campaign ended on 17 December 2020 where the Agent received a total of 139 enquiries²³ and seven²⁴ indicative, non-binding offers. The offers for the Property ranged from A\$29 million to A\$50 million with varying conditions attached to them. The A\$50 million offer, in particular, was conditional upon the bidder’s capital raising activity (including the deposit). Accordingly, Sunland excluded this bid from the shortlist on the basis of potential execution and settlement risks attached to the bid.

Following evaluation of the preliminary offers received, a shortlist of four bidders was agreed between Sunland and the Agent. These shortlisted bidders were considered to have an acceptable level of settlement risk and were further instructed to submit their revised unconditional offers on or before 4pm on 15 January 2021.

Final bids

In the morning of 15 January 2021, the Company received an internal email from the Related Party regarding their intention to acquire the Property. At lunchtime on that day, the Company received an

²¹ Part of the land located at 1 Hills Street, Coolangatta.

²² Relating to a sale, transfer, assignment, disposal or parting with possession of the Property and includes establishment of a community titles scheme.

²³ Eight of the enquiries are classified as hot, 13 warm and the remaining 105 are cold

²⁴ Excluding the offer from Arium.

indicative, non-binding offer from the Related Party (via their lawyers) for A\$41.5 million. This is before the Related Party and any members of the executive management of Sunland obtaining any knowledge of the final bids (including conditions attached) from the shortlisted bidders.

On the basis of the offer received from the Related Party, it was recommended that the IBC was formed. The IBC, which consists of Sunland's independent directors and to be headed by Mr Chris Freeman, would be responsible in assessing the final bids for the sale of the Greenmount Hotel site.

Presented below is a summary of the final offers received for the Property.

Summary of final bids					
No.	Bidder	Price (A\$ millions)	Deposit (A\$ millions)	Settlement Date	Variation of terms and other conditions
1	Arium Group Pty Ltd	42.3	4.2	28-Apr-22	- Accepts all the commercial criteria set out in the term sheet
2	Bidder 2	42.0	4.2	22-Oct-21	- 14 days of due diligence - Resolution of contractual clauses relating to easements and neighbour agreements - Hotel operation review - Documentation on put and call option - 3-year financial information on the hotel - Confirmation of redundancy entitlements for hotel staff - Board approval of the transaction
3	Bidder 3	40.0	NA	18 months after additional due diligence	- NA
4	Bidder 4	39.0	NA	No greater than 9 months	- NA
5	Bidder 5	37.0	1.9	31-Mar-21	- No personal guarantees - Resistance to adjoining lot agreements - Four weeks of due diligence

Source: Management information

Note (1) Due to confidentiality of information, we have not disclosed the name of the bidders other than Arium.

Note (2) Of the five bids received, only the bid from Arium was compliant to the requirements of the sale process.

Note (3) The Valuation Report prepared by HTW, on page 38, did not include the bids 3 and 4 above in the absence of formal offers received at the conclusion of the final bids stage.

Submission of the final bid was extended to 19 January 2021 in order to allow the bidders, specifically those introduced by the Agent, to re-consider their offers. On that date, the Related Party advised the Company (via their lawyers) that they are revising the offer to A\$42.3 million from the initial A\$41.5 million along with a confirmation that the bid remains unconditional.

Evaluation of the offers

In evaluating the offers received, Sunland had considered the following:

- **Sale of the neighbouring Marine Parade site** – Sunland had entered into a conditional contract for the sale of the neighbouring Marine Parade site for approximately A\$12.8 million (including GST). The contract is conditional upon agreeing on certain easements; agreeing and entering into certain deeds for crane oversail, rock anchoring and excavation rights; assignment of the contract to a buyer of the Property; and installation of a new padmount transformer²⁵ on the Property before settlement in favour of Energex and God Coast City Council for electricity and sewer rights.

Marine Parade development site has an aggregate area of 1,194 square metres and is located at 154 – 156 Marine Parade.

²⁵ A padmount transformer is a ground mounted electric power distribution transformer in a locked steel cabinet mounted on a concrete pad.

- *Contractual requirements for the sale of the hotel site* – The proposed term sheet has been drafted with the intention of protecting the sale of the Marine Parade site (as discussed above).

Based on the evaluation of the initial bids, Sunland noted the following:

- Requirement for additional due diligence from the Bidder 3
- Extended settlement time frame as suggested by the Bidder 3 and Bidder 4
- The offer from the Bidder 2, the second highest bidder, was conditional upon approval of its board
- A number of the bidders were unknown to both Sunland and the Agent and were assessed to carry significant execution and settlement risks.
- The bids were inclusive of GST with the Property sold as a going concern. It was Sunland's intention that the sale be GST exclusive.
- A number of bidders were hesitant to take over operations of the hotel.
- A number of bidders were hesitant to accept transfer of the hotel employees despite an adjustment²⁶ being made in favour of the buyer at settlement.

Evaluation of Arium's offer

The Independent Directors unanimously approved for Sunland to proceed with the Arium's offer as this was the only offer that contained the most favourable price and terms to the Company. Specifically, the evaluation was based on the following:

- It was the highest bid at A\$42.3 million plus adjustments for operations and stock.
- The offer accepted all the commercial criteria as set out in the proposed term sheet.
- The offer protected the conditional contract of sale of the neighbouring Marine Parade site.
- It agreed to take the Property as a going concern, which is a requirement to preserve the intended GST treatment.
- The winning bid was not conditioned to Arium obtaining finance and undertaking due diligence enquiries.
- It was the only conforming bid from the sale process – the bid was unconditional, signed and in a format suggested by Sunland. Other final bids were communicated to the Agent via email.

In a letter to Arium dated 28 January 2021, Sunland confirmed that the IBC had approved to proceed with Arium's final offer.

²⁶ Relating to clause 18 of the draft term sheet.

2 Purpose and scope of the Report

2.1 Purpose

Chapter 10 of the ASX Listing Rules

Chapter 10 of the ASX Listing Rules requires the approval from non-associated shareholders of a company if the company proposes to acquire or dispose a substantial asset from a related party or a substantial holder.

The ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration, is 5% or more of the equity interest of the entity as set out in the latest financial statements provided to the ASX. Based on the ASX Listing Rule 10.1.3, a substantial holder is a person who has a relevant interest, or had a relevant interest at any time in the six months before a transaction, in at least 10% of the voting power of the company.

The ASX Listing Rule 10.5.10 requires that the Notice of Meeting to approve the related party transaction must display prominently an expert's opinion as to whether the transaction is fair and reasonable to the holders of the entity's ordinary securities whose votes are not to be disregarded.

Sunland has entered into a non-binding agreement with Arium, a related party, on the proposed sale of its Greenmount Hotel site for a total consideration of A\$42.3 million. Arium is a company in which Mr Soheil Abedian (Executive Chairman of Sunland) and Mr Sahba Abedian (Managing Director of Sunland) have collective interest of 66% (33% individually). In addition, Mr Soheil Abedian²⁷ controls approximately 37.3% and 6.9% respectively of Sunland Shares. Accordingly, the Directors have requested Grant Thornton Corporate Finance to prepare the Independent Expert's Report stating whether, in its opinion, the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders of the Company.

2.2 Basis of assessment

Grant Thornton Corporate Finance has had regard to RG 111 in relation to the content of the Independent Expert's Report and RG 76 in relation to the related party transactions. RG 76 largely refers to RG 111 in relation to the approach to the related party transactions.

RG 111 establishes certain guidelines in respect of the Independent Expert's Reports prepared for the purposes of the Corporations Act. RG 111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" in the context of a takeover offer. RG 111 also regulates the Independent Expert's Reports prepared for the related party transactions in clauses 52 to 63. RG 111 notes that an expert should focus on the substance of the related party transaction, rather than the legal mechanism and, in particular, where a related party transaction is one component of a broader transaction, the expert should consider what level of analysis of the related party aspect is required.

We note that RG 111 clause 56 states the following:

RG 111.56 Where an expert assesses whether a related party transaction is 'fair and reasonable' (whether for the purposes of Chapter 2E or ASX Listing Rule 10.1), this should not be applied as a composite test –

²⁷ Including associated entities.

that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on consideration of the advantages and disadvantages of the proposal, as we do not consider this provides members with sufficient valuation information (See Regulatory Guide 76 Related party transactions at RG 76.106–RG 76.111 for further details).

Accordingly, in the consideration of the Proposed Transaction, the expert should undertake a separate test of the fairness and then analyse the advantages and disadvantages to the Non-Associated Shareholders of the Company.

RG 111 notes that the related party transaction is:

- Fair, when the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired.
- Reasonable, if it is fair, or, despite not being fair, after considering other significant factors, shareholders should vote in favour of the transaction.

In considering the fairness of the Proposed Transaction, we have analysed the key terms of the legal agreements supporting the Proposed Transaction as well as the independent valuation of the Property to ensure they are fair to the Non-Associated Shareholders of the Company and no net financial benefits are accrued to Arium Group Limited and / or its shareholders and associated entities.

In considering whether the Proposed Transaction is reasonable to the Non-Associated Shareholders of the Company, we have considered a number of factors, including:

- Whether the Consideration paid for the Property is fair.
- The implications to Sunland and the Non-Associated Shareholders of the Company if the Proposed Transaction is not approved.
- Other likely advantages and disadvantages associated with the Proposed Transaction as required by RG111.
- Other costs and risks associated with the Proposed Transaction that could potentially affect the Non-Associated Shareholders of the Company.

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance (a 100% subsidiary of Grant Thornton Australia Limited) considered its independence with respect to the Proposed Transaction with reference to the ASIC Regulatory Guide 112 "Independence of Expert's Reports".

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the Proposed Transaction other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this Report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this Report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Transaction.

2.4 Consent and other matters

Our Report is to be read in conjunction with the Notice of Meeting and Explanatory Memorandum dated on or around 28 May 2021 in which this Report is included, and is prepared for the exclusive purpose of assisting the Non-Associated Shareholders of the Company in their consideration of the Proposed Transaction. This Report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this Report in its form and context and consents to its inclusion in the Notice of Meeting and Explanatory Memorandum.

This Report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Transaction to the Non-Associated Shareholders of the Company as a whole. We have not considered the potential impact of the Proposed Transaction on individual Non-Associated Shareholders of the Company. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Transaction on individual shareholders.

The decision of whether or not to approve the Proposed Transaction is a matter for each Non-Associated Shareholder based on their own views of value of the Property and expectations about future market conditions (including impact of COVID 19), the Property's performance, and risk profile and investment strategy. If the Non-Associated Shareholders of the Company are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

2.5 Compliance with APES 225 Valuation Services

This Report has been prepared in accordance with the requirements of the professional standard APES 225 Valuation Services ("APES 225") as issued by the Accounting Professional & Ethical Standards Board. In accordance with the requirements of APES 225, we advise that this assignment is a Valuation Engagement as defined by that Standard as follows:

"An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time."

3 Industry overview

The discussion in this section is aligned with the Property's highest and best use²⁸ being, for high density, residential apartment and / or mixed use²⁹ development as identified in the Valuation Report.

The residential housing segment has faced increasing headwinds in the past five years. A number of factors have constrained growth in the residential segment in the past five years. The Federal Government's imposed limits on foreign property investment and stricter lending requirements of financial institutions have negatively impacted demand for residential real estate, driving a decline in the number of housing transfers³⁰. Further, the outbreak of COVID-19 in early part of 2020 has created uncertainties significantly affecting the industry's operating environment.

Despite turbulent economic conditions, government incentives and falling interest rates have provided growth to the market. Government incentives have played a major role in stimulating the market such as the incentive introduced effective as of 1 July 2018, which allows over 65 years' old homeowners to place up to \$300K of their proceeds from the sale of homes into their superannuation fund. This has boosted property sales hence, supporting industry revenue over the past five years. The First Home Owner grant has also stimulated demand for residential housing at the beginning of the period.

3.1 Macro-economic factors

Presented below is a brief summary of the Australian key macroeconomic factors that may impact the performance of the industry.

- *Low interest rates* – To support the recovery of businesses after easing the COVID-19-related restrictions, the RBA reduced the cash rate to 0.10%³¹ in 2020. The low interest rate environment is expected to continue to support the real estate sector. Typically, falling interest rates boost housing prices and property market activity, as more consumers are able to purchase property. Low interest rates also indirectly affect the sector by changing the capital allocation mix among investors. As a result, some investors re-allocate their capital to investment properties to generate rental income.

The low interest rate environment and the high level of liquidity in the system also benefitted the residential housing market as evidenced by the increase in the residential property price index³² (the "RPP Index") published by the Australian Bureau of Statistics. The RPP Index increased in the December 2020 quarter following increases in property prices in all eight capital cities in December quarter between 2.2% and 3.4%.

²⁸ The Property Valuer defines the highest and best use as the use of an asset that maximises its potential and that is physically possible, legally permissible and financially feasible.

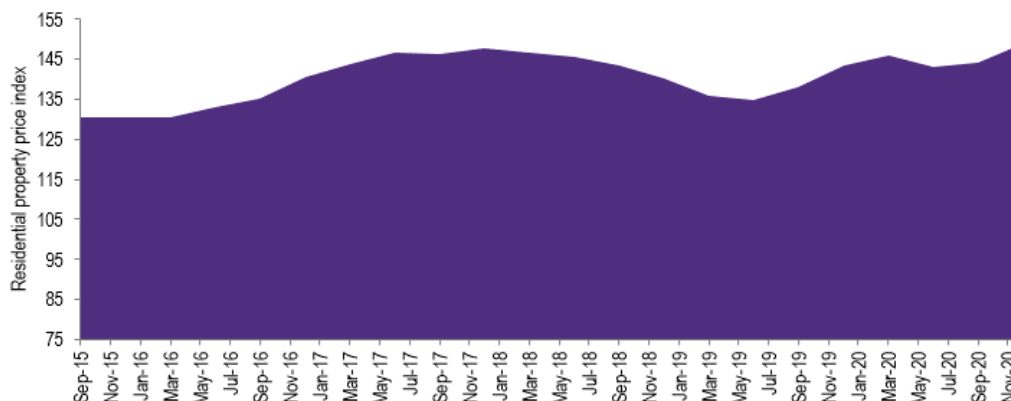
²⁹ A combination of residential and commercial developments.

³⁰ A housing transfer happens when a house is sold.

³¹ Remains to be the cash rate effective 3 March 2021

³² The Residential Property Price Index provides estimates of changes in residential property prices in each of the eight Australian capital cities and related statistics. The information is presented as price indexes for attached dwellings and established houses as well as an aggregated RPP index.

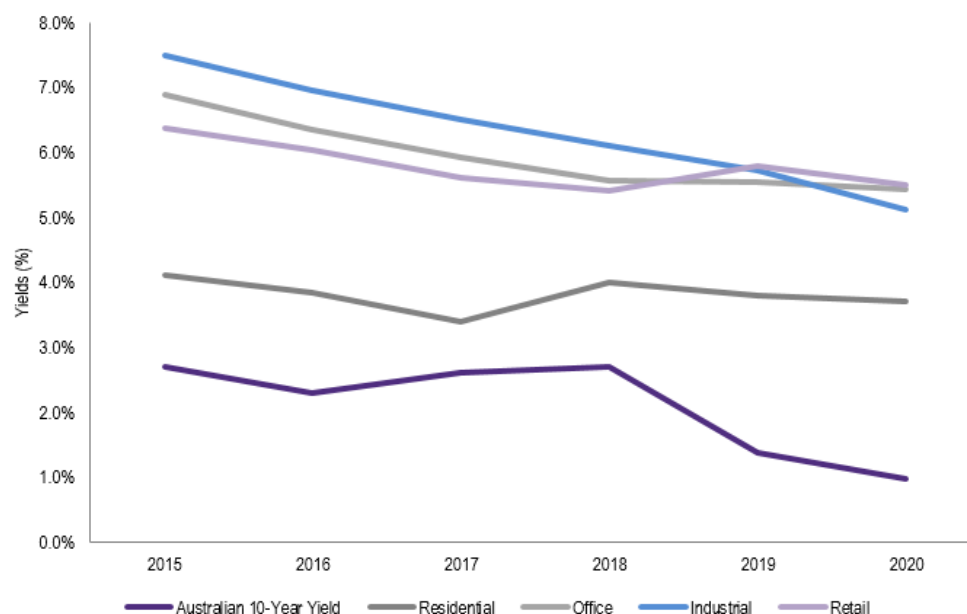
Movements in the RPP Index



Source: Australian Bureau of Statistics, GTCF analysis

- **Compressing real property yields** – As outlined in the graph below, the yield on real properties has closely followed the 10-year bond, which in turn is linked to the cash rate. Due to the increase in the level of real estate activity in the past five years, property prices have increased which has resulted in a reduction in yields³³. However, the lower returns provided by other asset classes such as government bonds has helped maintain the demand for real estate assets.

Correlation between yield on 10-year Australian Government Bond and yield on real estate



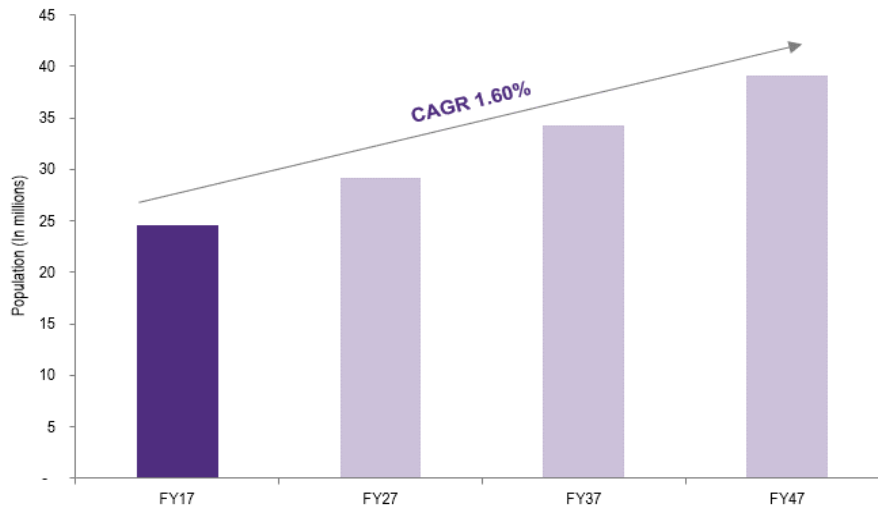
Source: Reserve Bank of Australia, MOE Investor Day presentation, CoreLogic National Media Release, CBRE reports, GTCF analysis
Note (1) Office, industrial and retail collectively refer to commercial segment

- **Population growth** – Australian population growth has a direct correlation to the long-term demand for residential properties. According to the ABS, Australia population is expected to increase from 25 million in FY17 to 39 million by FY47 as set out in the graph below. The age distribution of the

³³ Yields indicates how much of an annual return an investor is likely to get on an investment. Property yields are calculated as a ratio of the rental income divided by the property value. Accordingly, when demand is high, the cost of purchasing a property increases (i.e. its value) reducing the yield as a result, provided that the rental income does not increase proportionately.

population and the resultant household formation patterns influence long-term demand for residential construction.

Projected Australian population



Source: ABS 3222.0 Population Projections

Based on the above graph, the population is projected to grow at a CAGR of c.1.6% until FY47, which is one of the fastest rates in any developed country. This is expected to contribute to the long-term demand for residential, retail as well as commercial properties.

- **Commercial property sector** – The commercial property sector has grown strongly over the past few years mainly due to demand for office space and investor appetite for higher yields. In particular, the office property transaction volumes have been dominated by overseas investors until the outbreak of COVID-19. Whilst the pandemic has created significant uncertainty in the office property markets, the shift to online retail is expected to support demand for industrial property, with businesses requiring more warehouse and logistics space.
- **Business confidence** – The NAB Business Confidence Index rose in February to 16 index points³⁴, the highest level since early 2010, with all states and industries reporting gains except for retail. Conditions remain very strong in retail, wholesale, mining and professional services, whilst construction, personal services and transport conditions continue to lag. Capacity utilisation and capex continue to rise and have exceeded levels prior to COVID-19 and their long-run averages. This is an indication that the turnaround in business conditions and steady improvement in confidence is translating to higher capacity utilisation and increased investment. The recovery in the business sector, despite some tapering of government support beginning in late 2020, is a positive sign for the economy, where ongoing strength in the business and household sector is needed to sustain the recovery.
- **Availability of capital** – Another important factor influencing the demand for real estate is the availability of capital, both debt and equity. As earlier discussed, the low interest rate environment is expected to continue to support the real estate sector. The falling interest rates do not only boost

³⁴ NAB Monthly Business Survey: February 2021

housing prices and property market activity, but they also support changes in the capital allocation mix among investors.

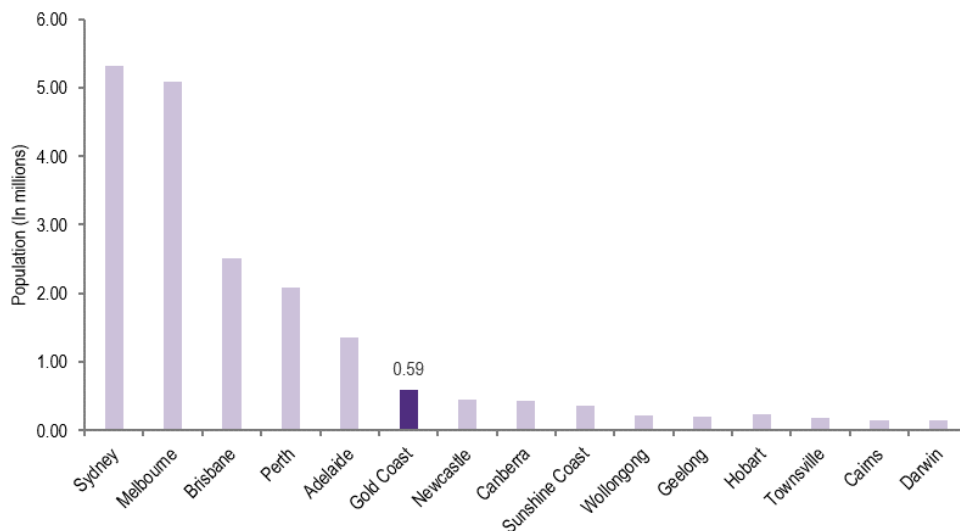
3.2 Gold Coast market

Gold Coast contributes circa 11.1%³⁵ to Queensland's ("QLD") total Gross State Product³⁶ ("GSP"). Gold Coast was acutely exposed to a fall in foreign investor demand thus, making the problem evident. Further, the unemployment rate continues to be a drag on the Gold Coast economy and is at 6.9% as of December 2020, higher than the national average of 6.6%. The business sentiment is being uplifted by government's focus on job growth to reduce the unemployment rate combined with continued importance placed on tourism.

Discussed below are key factors of the state of the property market in Gold Coast.

- **Population** – Population growth³⁷ of 1.7% in Gold Coast over the year to June 2020 is higher than the national average of 1.3%. The actual population growth provides a positive outlook for the real estate market in Gold Coast. The graph below shows the population of Gold Coast as compared to other major cities in Australia making it the 6th largest city as of June 2019³⁸.

Population of Australian major cities



Source: Australian Bureau of Statistics, Other public information

Note (1) Relating to 2019 population data published by the Australian Bureau of Statistics.

- **Demand and supply** – According to Urbis, at the end of June 2020, there were 813 new apartments available for sale in Queensland, majority of which is located in the Gold Coast central precinct. This is the lowest level since the second quarter of 2014. There were no new projects launched during the quarter of June 2020 but there are 14 projects expected to be launched in the next six to nine months (from June 2020) containing over 700 apartments. Based on Gold Coast Council's website, as at

³⁵ Based on FY19 results

³⁶ Gross State Product is an indicator of a state's production capacity on a year-on-year basis.

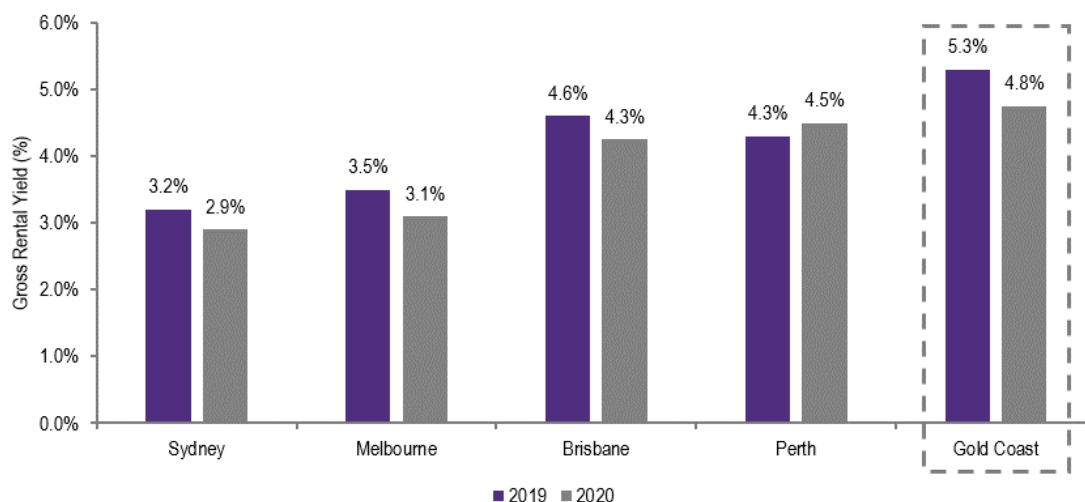
³⁷ Included a net positive overseas migration which is in line with QLD population's net natural increase and net interstate migration. It is to be noted also that in March 2020, the Australian Government made a decision to close the international border following the onset of the COVID-19 pandemic.

³⁸ Latest available data on Australian major cities' population growth.

November 2020 (five-month period from July 2020), there were 1,342 building approvals granted. In FY20, building approvals totalled 4,479 or approximately 11% lower than in FY19.

- **Pricing** – Price growth has been positive for Gold Coast. For the housing market, pricing has already passed the bottom of the price cycle and is now in the recovery phase³⁹. As at September 2020, Gold Coast's annual house⁴⁰ prices (median) rose by 3.2% to A\$640,000 and 0.8% over the quarter to A\$650,000. The price increase in the housing market was on the back of a drive for lifestyle over proximity to work⁴¹ following the COVID-19 pandemic. On the unit market, on the other hand, annual median prices rose by 1.8% to A\$420,000 and 0.5% over the quarter to A\$425,000.
- **Gross rental yields** – Gross rental yields for apartments in Gold Coast have declined by 0.6% to 4.8% over the 12-months to September 2020. Nonetheless, as seen in the graph below, the yields remain above each of the major cities namely Sydney (2.9%), Melbourne (3.1%), Brisbane (4.3%) and Perth (4.5%). Rental yields have been under downward pressure through the COVID-19 period as shown in a decline from 5.3% in the third quarter of 2019 to 4.8% in the third quarter of 2020. Despite the lower rental yield profile, with the interest rates likely to remain low, opportunities for positive cash flow properties along with the potential for capital gains is likely to see investment activity consistently increase through 2021.

Australian Gross Rental Yields



Source: Corelogic National Media Release, January 2021

- **Rental prices** – Gold Coast rental market performance has also remained generally robust with the weekly rental rates increasing by an average of 1.7%⁴² compared to the rates in September last year. With over 36%⁴³ of the Queensland population (including Gold Coast) renting homes, this has driven a shift in the State's rental composition to a more affordable rental supply in outer urban and regional areas during the pandemic. Whilst this supports more local economies to withstand the pressures of the pandemic, the limited rental supplies have the potential to result in poorly matched housing

³⁹ Queensland Market Monitor, issue 48, December 2020.

⁴⁰ Detached homes with area of less than 2,400 square metres

⁴¹ Queensland Market Monitor, issue 48, December 2020.

⁴² Includes a decline of 0.6% in the three-bedroom house's weekly rental.

⁴³ Queensland Market Monitor, issue 48, December 2020.

preferences. Further, any tightening in rental availability levels will only place additional undue pressures on the housing sector.

3.3 Outlook

The local demand in Gold Coast will continue to fuel small – medium scale residential developments. The number of completions is uncertain at this point due to a difficult pre-sale environment. Gold Coast was acutely exposed to a fall in foreign investor demand thus, making the problem evident. The interest rate cuts is likely to aid to rebalancing of sentiment which may stimulate the broader property market. Buyers are looking for smaller and more viable sites as compared to large-scale high-rise sites thus, indicating the demand for apartments will potentially remain stable. High population growth, strong market fundamentals and continued economic growth are expected to drive the market going forward for Gold Coast over the medium-term. The Federal Government's First Home Loan Deposit Scheme, launched on 1 January 2020, which specifies the city as a 'regional centre' is also expected to assist in bringing new demand to the market.

The market is now coping with the impact of COVID-19 pandemic. Whilst the threat to businesses and the economy as a whole remains present, companies have been putting in place measures, along with the Government's initiatives, to mitigate the impact of the pandemic.

4 Overview of the Property

4.1 Introduction

The Proposed Transaction relates to the sale of the 7,071-square metre⁴⁴ development site located at 3 Hill Street, Coolangatta in Queensland. This property is adjacent to land located at 154-156 Marine Parade, which is subject of a conditional contract of sale with another party.

The Property was purchased by the current owners in March 2016. The ultimate use of the Property is for redevelopment. The Property is registered to the Seller and is within the authority of the Gold Coast City Council.

The Property is in a high density residential zone under the city plan, having a height control of 38 metres and a residential density of RD7 (i.e., one bedroom per 25 square metres of net site area), which allows a notional development of up to 330 bedrooms.

Sunland is currently reviewing a revised development scheme comprising of three towers (12, 13 and 14 storeys), two basement levels, 152 apartments, five villas and communal facilities.

4.2 Greenmount Beach Resort

The Greenmount Beach Resort comprises a substantial resort hotel which was completed in circa 1980. The ten-level building consists of 151 guest rooms, manager's unit, restaurant, bar, conference / function rooms, a former nightclub tenancy, swimming pool, wading pools, spa and guest car parking.

Various refurbishment works have been done on the Property. In 2013/2014, Greenmount Beach Resort's lobby, restaurant, bar and the spa area and up to 100 guest rooms went through major refurbishments. Upgrade works on the kitchen buffet area and the Rainbow Bay wing rooms were undertaken in 2017/2018 and 2019, respectively.

Between FY17 and FY19, the hotel's performance was quite stable with reported revenue of A\$4.4 million to A\$4.7 million and net operating profit between A\$1 million and A\$1.4 million. We note that the Property Valuer has been provided with the hotel's net operating profit for the first six months in FY20 amounting to A\$439,907 or approximately A\$880,000⁴⁵ for the entire year. This significant decline in the net operating profit in FY20 was largely attributable to the impact of the COVID-19 pandemic in the tourism industry. With the expected recovery of the tourism industry in line with easing of COVID-19 restrictions and opening of the state and international borders, the hotel business is anticipated to achieve the same level of revenue and earnings at a minimum, based on historical data⁴⁶.

⁴⁴ This includes approximately 43 square metres allocated for the pad mount to place an Energex substation. Clause 23 (Easements) of the draft term sheet provided for a need for a buyer of the Property to agree on required infrastructure / utilities easements in relation to the sale of the neighbouring Marine Parade site. For the purpose of our assessment, we have not separated the value of the 43-square metre pad mount from the total market value of the Property due to its immaterial impact. By simple allocation, the market value of the pad mount is approximately A\$243,000 calculated as (43-square metre pad mount / total of 7,071 square meters x A\$40 million market value of the Property). This is consistent with the approach Sunland is taking, where the Seller is currently in discussion with Energex for the easement to locate the pad mount on the current title therefore not requiring a plan of subdivision.

⁴⁵ Semi-annual net operating profit of A\$439,907 divide by (6/12) = A\$879,814.

⁴⁶ In line with the Property Valuer's expectations

4.3 Independent Property Valuation

Herron Todd White has conducted a valuation of the Property as at 19 February 2021, concluding on a value of approximately A\$40 million, being the market value of the Property as a development site, on an as-is basis. HTW valued the Property being an unencumbered estate in fee simple on an assumed vacant possession basis. Consequently, HTW did not carry out further analysis relating to the operation of the hotel on a going concern basis.

The valuation of the Property took into account results of various valuation approaches adopted by HTW as well as the Arium offer on the Property that Sunland received through a robust EOI campaign process. The Property Valuer highly regarded the Arium offer as an indication of the Property's current market value.

The critical assumptions used by the Property Valuer in the valuation of the Property are summarised below:

- *Valuation methodologies* – The Property Valuer has relied on two valuation methodologies including the Direct comparison approach (rate per square metre of land and rate per bedroom) and Piecemeal approach. The Property Valuer also highly regarded the Arium offer as an indication of the Property's current market value.
- *Rate per square metre and rate per bedroom* – The Property Valuer adopted a range of A\$5,500 to A\$6,250 per square metre of site area and A\$140,000 to A\$150,000 per bedroom having regard to the comparable market evidence. On the Piecemeal approach, HTW adopted a range of A\$4,000 to A\$4,500 (average of A\$4,250) per square metre for the southern portion and a range of A\$6,500 to A\$7,000 per square metre for the northern portion.

On the southern portion, the Property Valuer adopted a higher range than the available market evidence explaining that the adopted range is a better reflection of the market. The Property Valuer noted that the sale evidence relating to a property transaction adjacent to the south of the Property was an inferior sale⁴⁷ that occurred in a very difficult and uncertain period⁴⁸.

- *Future demolition and removal costs* – As advised by the Company, the Property Valuer adopted a circa A\$3.25 million for the cost of demolishing and removing the hotel in case the development plan is pursued. The Property Valuer estimates that it is likely that the hotel will be held⁴⁹ for another one to two years before a re-development plan is rolled out.
- *Selling period* – The market value of the Property assessed by the Property Valuer assumes a selling period of up to six months and a settlement period of up to 12 months.
- *Adopted value* – The adopted value for the Property approximates the average of the valuation outcomes of the valuation approaches used by the Property Valuer and the Arium offer received.

⁴⁷ This sale evidence relates to a sale of a large site directly to the south of the Property and which has similar location attributes and comparable town planning parameters. However, whilst being positioned adjacent, this site is considered to be far inferior compared to the Property in terms of a future medium rise redevelopment opportunity as it effectively sits in the shadow of the existing Greenmount Beach Resort and/or any subsequent redevelopment thereon.

⁴⁸ A sale back in June 2020, at the height of the COVID-19 pandemic

⁴⁹ During the holding period, the hotel is expected to generate A\$1 million to A\$4 million in NOP based on historical performance prior to the COVID-19 pandemic as discussed in section 4.2 above.

- *Value range* – The Property Valuer did not provide a valuation range.

We have set out below a summary of the valuation approaches adopted by HTW:

Property valuation summary	
Approaches	A\$ '000
Direct comparison approach - A\$/sqm land	40,000
Direct comparison approach - A\$/bedroom	39,500
Piecemeal approach	39,250
Arium offer on the Property	42,300
Adopted market value	40,000

Source: The Valuation Report

Note (1) The market value of the Property is inclusive of the value of the 43-square metre pad mount amounting to approximately A\$243,000 by simple allocation. Due to immaterial impact, we have not separated the value of the pad mount from the total market value of the Property.

For further details on the Property valuation, refer to Appendix B.

5 Sources of information, disclaimer and consents

5.1 Sources of information

In preparing this Report Grant Thornton Corporate Finance has used various sources of information, including:

- Notice of General Meeting;
- Explanatory Statement;
- Property valuation report;
- Draft term sheet;
- Draft Call and Put Option Agreement;
- Australian Bureau of Statistics;
- Reserve Bank of Australia;
- ASX announcements;
- Corelogic Media Release;
- Other publicly available information;
- IBISWorld Report;
- Queensland Market Monitor; and
- Discussions with Grant Harrison.

5.2 Qualifications and independence

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act and its authorised representatives are qualified to provide this Report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to Sunland and all other parties involved in the Proposed Transaction with reference to the ASIC Regulatory Guide 112 “Independence of expert” and APES 110 “Code of Ethics for Professional Accountants” issued by the Accounting Professional and Ethical Standard Board. We have concluded that there are no conflicts of interest with respect to Sunland, its shareholders and all other parties involved in the Proposed Transaction.

Grant Thornton Corporate Finance and its related entities do not have at the date of this Report, and have not had within the previous two years, any shareholding in or other relationship with Sunland or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Transaction, other than the preparation of this Report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Proposed Transaction. Grant Thornton Corporate Finance's out-of-pocket expenses in relation to the preparation of the Report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this Report.

5.3 Limitations and reliance on information

This Report and opinion is based on economic, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this Report on the basis of financial and other information provided by Sunland and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by Sunland and other experts through enquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our Report. Nothing in this Report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of Sunland.

Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, disclaim all responsibility for Sunland's failure to inform us of any changes to any information and/or material which impacts upon the services we have agreed to provide. The Company must take all necessary steps to immediately correct any announcement, communication or document issued which contains, refers to, or is based upon such information.

This Report has been prepared to assist the Directors in advising Sunland Shareholders in relation to the Proposed Transaction. This Report should not be used for any other purpose. In particular, it is not intended that this Report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Proposed Transaction is in the best interests of the Non-Associated Shareholders of the Company.

5.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this Report in the form and context in which it is included in the Notice of Meeting and Explanatory Memorandum to be sent to Sunland Shareholders. Neither the whole nor part of this Report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

Appendix A – Glossary

A\$	Australian Dollar
AASB 117	Australian Accountings Standards Board 117 – Leases ("AASB117"), the precursor to AASB16.
AASB 16	Australian Accountings Standards Board 16 – Leases
Agent, the	The agent who facilitated the EOI campaign process
APES	Accounting Professional and Ethical Standards
APES225	Accounting Professional and Ethical Standard 225 "Valuation Services"
Arium or the Buyer	Arium Group Pty Ltd
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Consideration, the	Total consideration of A\$42.3 million subject to adjustments including outgoings, forward bookings and employee entitlements
Corporations Act, the	Corporations Act 2001
COVID-19	Coronavirus pandemic
CPI	Consumer Price Index
EOI	Expression of interest
FSG	Financial Service Guide
FYxx	12-month financial year ended 30 June 20xx
GSP	Gross State Product
GST	Goods and Services Tax
GTCF, Grant Thornton, or Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd (ACN 003 265 987)
HTW or the Property Valuer	Herron Todd White
IBC, the	The Independent Board Committee
IER or the Report	Independent Expert's Report
Independent Directors, the or the Directors	Include Ron Eames, Chris Freeman, Rebecca Frizelle and Vahid Saberi who are all non-executive directors and referred simply as Directors throughout the Report.
NA	Not applicable or not relevant
New Lot, the	The land component of the Property that Sunland is intending to register.
Non-Associated Shareholders, the	Sunland shareholders who are not associated with the Proposed Transaction
NSW	New South Wales
Option Agreement, the	The proposed put and call option agreement
Property valuation	The independent valuations prepared by Herron Todd White as at 21 February 2021
Property Valuer, the or HTW	Herron Todd White
Proposed Transaction, the	The proposed sale of the Greenmount Hotel site for a total consideration of A\$42.3 million
QLD	Queensland
RBA	Reserve Bank Australia
Related Party, the	Mr Soheil Abedian, Mr Sahba Abedian and associated entities
RG	Regulatory Guide
RG111	ASIC Regulatory Guide 111 "Contents of expert reports"
RG112	ASIC Regulatory Guide 112 "Independence of experts"
RPP Index, the	The Residential Property Price Index
SDG, Sunland or the Company	Sunland Group Limited
Seller, the	Sunland Greenmount Pty Ltd
SFD	State Final Demand
Sqm	Square metres

UK, the

United Kingdom

US, the

United States of America

Valuation Report, the

The property valuation report prepared by HTW

Appendix B – Abstract of the Property valuation

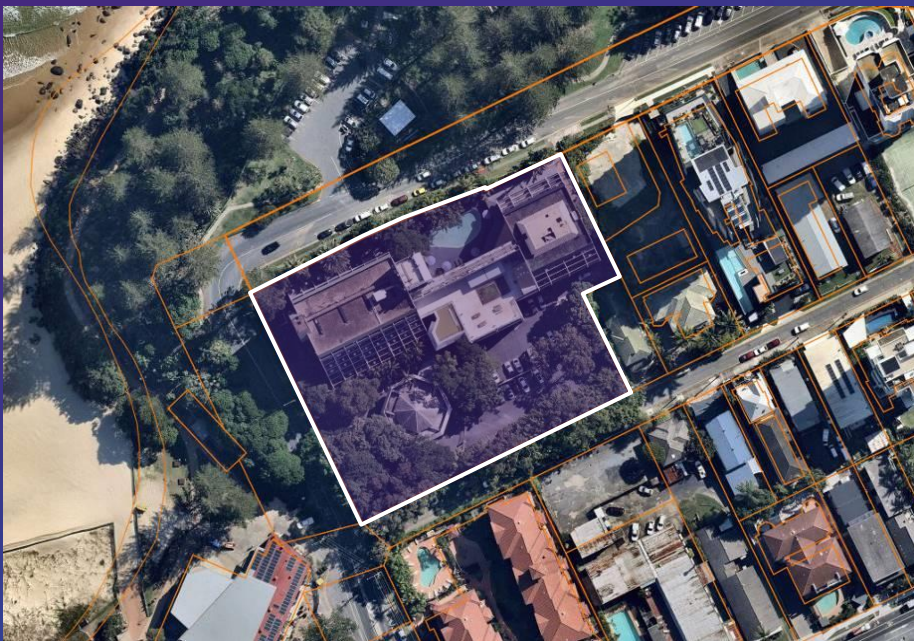
ABN-59 003 265 987 ACN-003 265 987 AFSL-247140

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Abstract of Valuation Report

Highrise Residential Apartment Development Site



Greenmount Beach Resort Site, Corner of Eden Avenue, Hill Street and Marine Parade, Coolangatta, Gold Coast, Queensland 4225

As at	19 February 2021
Prepared for	Grant Thornton Corporate Finance Pty Ltd
On Behalf of	Sunland Group Limited
Our Ref	JB2445589

Gold Coast

Herron Todd White (Gold Coast & NSW Far North Coast) Pty Ltd
ABN 84 568 359 889

Suite C55, Circle on Cavill, 3184 Surfers Paradise Boulevard
Surfers Paradise QLD 4217
PO Box 1884
Surfers Paradise QLD 4217

Telephone 07 5584 1600
goldcoast@htw.com.au
htw.com.au

Property Details

Address	Greenmount Beach Resort Site, Corner of Eden Avenue, Hill Street and Marine Parade, Coolangatta, Gold Coast, Queensland 4225.
Instructing Party	Andrea De Cian of Grant Thornton Corporate Finance Pty Ltd.
Prepared For	Grant Thornton Corporate Finance Pty Ltd.
Basis of Assessment	The interest being valued is the unencumbered estate in fee simple on an assumed vacant possession basis.
Purpose of Valuation	<p>Our valuation report has been prepared for the exclusive use of Grant Thornton for inclusion as an appendix to the Independent Expert's Report to be circulated with the Notice of Meeting and Explanatory Memorandum to Sunland shareholders and should not be used or relied upon for any other purpose.</p> <p>This document is Abstract of our Valuation Report. Our full report is not approved for release as it retains commercially sensitive information.</p>
Instructions	<p>We have been instructed to assess the market value of the Greenmount Beach Resort Site on an "as is" basis.</p> <p>Our valuation is subject to the registration of Draft Survey Plan 320261 and to the issuance of separate legal title to proposed Lot 1 on that plan.</p>
Date of Inspection and Valuation	19 February 2021.
Date of Issue	<p>Initial Draft Report: 4 March 2021.</p> <p>Final Valuation Report: 27 May 2021.</p>
Registered Owner	Sunland Greenmount Pty Ltd.
Local Authority	Gold Coast City Council.
Town Planning	<p>High Density Residential Zone under the City Plan, having a Height Control of 38 metres and a Residential Density Classification of RD7 (1 bedroom per 25 sqm of net site area), allowing for the notional development of up to 281 bedrooms.</p> <p>No known existing Development Approvals.</p> <p>A Development Application was lodged on 23 November 2017 proposing a four tower project of between 15 – 17 storeys, with three levels of basement car parking and a total yield of 247 apartments/589 bedrooms. This application pertained to both the subject site and also the adjacent property at 154 – 156 Marine Parade, Coolangatta. This larger site comprised a land area of 8,265 sqm.</p> <p>A revised development scheme was also prepared for the amalgamated parcel comprising of three towers (12, 13 and 14 storeys), 2 basement levels, 152 apartments, 5 villas and communal facilities. This proposed scheme will yield a total of 157 units/349 bedrooms.</p> <p>However, the adjacent site has since been contracted by a third party and will not form part of the future development on the subject land.</p> <p>We have not been provided with an updated scheme which relates to the redevelopment of the subject land in isolation.</p>
Real Property Description	Existing – Lot 255 on Crown Plan WD5121. Proposed Lot 1 on Draft Survey Plan 320261 (subject property).



Encumbrances

There are no adverse easements registered on the title search for the existing site. There is reportedly a lease for a telecommunication tower to Optus which we understand expires on 6 March 2021.

A number of access easements will be registered on Proposed Lot 1 on Draft Survey Plan 320261 (south-east corner of site). Refer to Section 2.2.

Property Description 'As Is'

The subject property comprises a large, near rectangular shaped, part elevated, hillside, corner development site of 7,040 sqm, situated in an esplanade front position on the Greenmount headland at Rainbow Bay, Coolangatta.

The parcel has frontage to Marine Parade on the north-western boundary, Hill Street on the south-western boundary and to Eden Avenue on the south-eastern boundary.

The land falls steeply from the north-western boundary through to more gently sloping land in the south-western portion. It also has a cross fall from the center of the site to the east and to the west.

The site has been excavated into the hillside to provide a suitable building platform for the existing Greenmount Beach Resort.

Improvements

The Greenmount Beach Resort comprises a substantial, average quality, aging resort hotel which was completed in circa 1980. The part ten level building has 151 guest rooms, manager's unit, restaurant, bar, conference/function rooms, a former nightclub tenancy, swimming pool, wading pools, spa and guest car parking.

Various refurbishment works have been undertaken over the past several years including in 2013-14 to the lobby, restaurant, bar and the spa area, and to 100 of the guest rooms, in 2017-18 to the kitchen buffet area and in 2019 in upgrading rooms in the Rainbow Bay wing for backpacker use.

Selling Period 'As Is'

Our principal assessment of market value herein assumes an effective marketing campaign of up to six months, and a settlement period of up to 12 months.

Last Sale

The last reported sale for the subject site was 4 March 2016 in the sum of \$26,000,000 as a going concern (Exclusive of GST).

The property is currently subject to a Put and Call Option Agreement in the sum of \$42,300,000 (Exclusive of GST).



**Market Value – Development Site ‘As Is’,
Assuming Title Creation
(Excl. GST)**

**\$40,000,000
(Forty Million Dollars)**



Luke Nichols
Director
AAPI / Certified Practising Valuer
API Number: 65964 - QLD 2536



Ryan Kohler
Director

Important:

This valuation is for the use only of Grant Thornton Corporate Finance Pty Ltd for the express purposes stated only and for no other purpose. No responsibility is extended to any third party who may use or rely on the whole or any part of the content of this valuation. No responsibility will be accepted for photocopied signatures

All data provided in this summary is wholly reliant on and must be read in conjunction with the information provided in our full valuation report. It is a synopsis only designed to provide a brief overview and must not be acted on in isolation. The assessment is subject to various critical assumptions and qualifications as in our full valuation report. These assumptions and qualifications must be read and considered by our instructing party.

The Counter Signatory, Ryan Kohler, has reviewed the report and is satisfied that the opinion of value contained in the report has been reached based on reasonable grounds. For the avoidance of doubt, the Counter Signatory has not inspected the property and as such (under the API Professional Practice) cannot be an author of this report, and is confirming prima facie that the methodology used by the author of the report (the prime signatory) is sound.

This report has been reviewed by **Shayne Kirstenfeldt**, an appointed National Quality Assurance (QA) Director under the Herron Todd White Quality Assurance program. The appointed National QA Director has reviewed the valuation, and based upon such review and appropriate questioning, is satisfied that the value opinion contained in the valuation has been reached based on reasonable grounds. However, the client acknowledges that the opinion of value expressed in this report has been arrived at by the prime signatory alone. The National QA Director has not undertaken any part of the valuation process nor inspected the property.



Assumptions, Conditions and Limitations

- Critical Assumptions**
- This valuation report is provided subject to the assumptions, disclaimers, limitations and qualifications detailed within this report. Reliance on this report and extension of our liability is conditional upon the reader's acknowledgement and understanding of these statements.
 - At the date of valuation, the subject property forms part of Lot 255 on Crown Plan WD5121. In accordance with our instructions, this assessment is subject to issuance of individual unencumbered title for Proposed Lot 1 on Draft Survey Plan 320261 (subject property) and there being no onerous encumbrances on title.
 - **Note:** The registration of the new plan/title pertains to the requirement to excise a very small parcel of land (31 sqm) from the parent site to accommodate a pad mount and electrical transformer (to the benefit of the site), in addition to easements described in Section 2.2. Sunland Group advises that they have been in discussion with Energex as to whether an easement over this area where the pad mount and electrical transformer will be situated will suffice and hence, registration of a new plan and title will not be required. In the event an easement is registered however, this portion of the site will still not be available for development purposes due to its intended use. On this basis, the registration of the easement for this purpose, as opposed to the excise of this land and a new title/plan registered, will not materially affect the valuation conclusion contained in this report.
 - We have assumed that, on a hypothetical sale of the subject property, an incoming purchaser would obtain the intellectual property rights to all materials associated with the existing buildings and/or any proposed development, including professional reports, approvals, architectural plans, working drawings, building contracts (where relevant).
 - Our valuation assumes that the property includes sufficient plant and equipment to operate a business of this nature. Furthermore, it is assumed that all plant and equipment is in good working order and unencumbered.
 - That all licenses and entitlements pertaining to the business remain with and vest in the property and its associated business operation.
 - Confirmation of the advised costs to demolish the existing building (approximately \$3,250,000).
 - Confirmation of the advice that the lease for the Optus telecommunication aerial will expire on 6 September 2021 and it will not be renewed.
 - The subject property is currently subject to a Put and Call Option Agreement. Whilst we have read this agreement and summarised the pertinent conditions, we are not experts in legal matters. Our valuation is subject to confirmation that our understanding of the terms and conditions of the agreement are correct, particularly with respect to the stated contract price and that there are no such terms or conditions that would materially alter the contract sum.
 - Our assessed site value is based on a professional marketing campaign (i.e. a marketing campaign undertaken by agents experienced in the sale of this type of property, with an appropriate marketing budget and selling period to target the wider Australian and international markets). Failure to undertake a professional marketing campaign may impact on the achievable sale price and the selling period, as assessed within this valuation report.
-



**Recommendations
and Cautions**

- There are currently many factors at play in the market including historically low interest rates, significant government stimulus targeting certain sectors of the economy (including the property market), along with rising unemployment levels, reduced local/international migration and a heightened level of economic uncertainty. There have been limited transactions in this asset class post the Coronavirus (COVID-19) outbreak. In the absence of market evidence, we are faced with an unprecedented set of circumstances on which to base judgement. Our valuation is therefore reported on the basis of 'material valuation uncertainty'. Consequently a higher degree of caution should be attached to our valuation than would normally be the case.
 - This valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the Valuer could not reasonably have been aware of as at the date of valuation). We do not accept responsibility or liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume responsibility or accept liability where the valuation is relied upon after the expiration of 90 days from the date of the valuation or such earlier date if you become aware of any factors that have an effect on the valuation. However, it should be recognised that the 90 day reliance period does not guarantee the value for that period; it always remains a valuation at the date of valuation only.
 - Development sites and large accommodation hotels are inherently volatile assets and our experience in previous cycles is that these property types can be subject to significant and rapid gains, and also falls in value levels. We caution that any party authorised to rely on this report should have regard to this statement when assessing the subject property.
-

