

Sunland Group

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Group Strategy Update

Sunland Group Limited (ASX:SDG) (**Sunland**) is pleased to announce this update about the strategy to return current net asset value to shareholders (**Strategy**)¹.

Current status of the Strategy

The Sunland group of companies (**Group**) is working to deliver and settle on its active projects and realise its remaining undeveloped inventory, and anticipates this will be achieved on or about the last quarter of the 2023 financial year. The Group will continue returning net assets to shareholders, in the most expeditious and appropriate manner, subject to legal, financial and regulatory requirements and market conditions.

Sunland expects that it will continue with its development operations and sale of assets through the FY23 financial year. However, in accordance with the project timetables, Sunland expects that after April 2023 and by 30 June 2023, Sunland will have no further or active projects or material business assets remaining. On or about that time, Sunland may take steps to cease operating and in that case de-listing is a likely option, subject to and in accordance with legal and financial advice, regulatory requirements and market conditions (however no decision has been made by Sunland at this time). Sunland intends to maintain its listing on the ASX whilst the directors continue to assess the most appropriate way to finalise the Strategy. At this stage Sunland has not made any decision about this and Sunland will consult with its advisors and ASX with respect to the most appropriate way to deliver the optimum outcome for its shareholders.

Further details about the status of the Strategy and the next phase of its implementation are provided below.

Projects and inventory

Sunland's active projects include 272 Hedges Avenue, The Lanes Residences West Village, and the final two stages of Montaine Residences. Completion and settlement (including associated management rights) are expected to occur by April 2023.

¹ As initially announced to the ASX on 20 October 2020.

Undeveloped inventory includes lots 916 (which is now settled in accordance with expectations), 917 and 918 at The Lakes in Mermaid Waters and Marina Concourse in Benowa. Sunland will continue to work with buyers to achieve settlement, which is expected to occur by December 2022.

Debt notes

The orderly satisfaction of debt obligations is a key feature of Sunland delivering on the Strategy. The Group's capital position means that it can satisfy the debt notes managed by FIIG Securities Limited by redemption; and Sunland intends to do so on the first optional redemption date on 31 October 2022 (notice will shortly be given to enable this to occur). Upon giving notice of redemption, the note issuer may seek to purchase the notes on market, subject to regulatory and legal requirements.

Staff entitlements and incentive plans

The orderly satisfaction of the Group's obligations is also a key part of the Strategy, and this includes the obligations under the Sunland Employee Retirement Fund (**SERF**) and the Sunland Employee Investment Fund (**SEIF**).

The SERF was established 6 March 2015 following shareholder approval at the 2014 AGM. In accordance with that approval the SERF acquired 3.5 million shares in Sunland by way of an interest free loan of \$5,950,000. The SEIF also holds 148,836 shares in Sunland. The trustees of the SERF and the SEIF (namely, SEIF Pty Ltd ACN 149 674 171) have advised Sunland that they intend to sell these shares to satisfy liabilities and distribute the net proceeds of sale to beneficiaries.

Forecast Strategy costs and Net Asset distributions

Sunland directors will manage capital requirements to satisfy remaining obligations including debt notes, staff salaries, employee entitlements, necessary operating expenses, maintenance of completed projects, ongoing defect rectification as required and in accordance with legislation, contingent liabilities that may crystallise and costs that may be incurred in ultimately finalising the strategy (**Operating and Strategy Costs**). Operating and Strategy Costs are difficult to forecast until Sunland has decided on how to implement the finalisation of the Strategy and in due course, until all obligations are fulfilled, and the actual timing of those matters.

The stated objective of the Strategy contained in the ASX announcement on 20 October 2020 was to return net assets which at the time was approximately \$2.56 per share. Since that announcement, the Group has distributed \$1.17 in fully franked dividends. Directors estimate further dividend and capital distributions of \$2.21 per share are to be made through to completion of the Strategy (after allowing provision for Sunland's current estimate of Operation and Strategy Costs). Sunland's current expectation is this future distribution will comprise a series of dividends estimated at \$1.31 per share (in total) and a

series of capital distributions of \$0.90 per share (in total). Dividends will continue to be fully franked where franking credits are available.

The directors will continue to consider, and where possible, make distributions quarterly, either by way of dividends (fully franked, partially franked or unfranked) or capital returns, as appropriate and depending on the source of funds and franking credits available in the circumstances. The frequency and value of dividends (or capital return) may vary from time to time as the amount that can be distributed will be subject to the orderly sale of projects and inventory, the Group fulfilling its obligations over the course of finalising the Strategy (which will continue past the 2023 financial year), the actual Operating and Strategy Costs, and complying with applicable laws².

The planned redemption of the debt notes in October 2022 and the consequent release of debt covenants is expected to enable the directors to declare and announce a fully franked dividend on or about the time of the AGM in November 2022. Sunland estimates that dividend will be approximately 60 cents per share, subject to the on-time receipt of funds from upcoming settlements and provisioning for Operation and Strategy Costs.

Steps to complete the Strategy

The orderly implementation of the Strategy to date has enabled Sunland to make this announcement. Sunland continues to consider (in consultation with its advisors) the most appropriate and efficient mechanism to fully return net asset value to shareholders in line with the Strategy.

Sunland will continue to liaise with the ASX about the Strategy, if and when necessary or appropriate, as decisions are made concerning its implementation and progression to completion. Sunland will update the market in that regard and also if there is any material change to the distribution guidance, dividend and capital guidance or other matters contained in this announcement, if required and in accordance with its continuous disclosure obligations.

This announcement has been authorised by the Board of Directors.



Grant Harrison
Company Secretary

² Including the ASX Listing Rules, Corporations Act and rules regarding dividends and capital returns.

Disclaimer - Future performance and forward looking statements.

This announcement contains certain forward looking statements with respect to the financial condition, results of operations, projects and business of Sunland and certain plans and objectives of Sunland. Forward looking statements can generally be identified by the use of forward looking words such as 'expect', 'anticipate', 'likely', 'intend', 'propose', 'should', 'could', 'may', 'will', 'predict', 'plan', 'believe', 'forecast', 'estimate', 'target', 'continue', 'objectives', 'outlook', 'guidance' and other similar expressions. The forward looking statements, opinions and estimates contained in this announcement are based on Sunland's intent, belief or current expectations, assumptions and contingencies which are subject to change without notice, as are any statements about market and industry trends, which are based on interpretations of current market conditions. They involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of Sunland and its officers, employees, agents and associates, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Any forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Readers are cautioned not to place undue reliance on forward-looking statements. There can be no assurance that actual outcomes will not differ materially from these forward looking statements. A number of important factors could cause actual results or performance to differ materially from the forward looking statements. Investors should consider the forward looking statements contained in this announcement in light of those disclosures. Neither Sunland, nor any other person, gives any representation, warranty, assurance, nor will guarantee that the occurrence of the events expressed or implied in any forward looking statement will occur. To the maximum extent permitted by law, Sunland, other persons referred to in this announcement and each of their respective advisors, affiliates, related bodies corporate, directors, officers, partners, employees and agents disclaim any responsibility and undertake no obligation for the accuracy or completeness of any forward looking statements whether as a result of new information, future events or results or otherwise. The Company disclaims any responsibility to update or revise any forward looking statements to reflect any change in Sunland's financial condition, status or affairs or any change in the events, conditions or circumstances on which a statement is based except as required by Australian law.