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## **SUNCITY GROUP HOLDINGS LIMITED**

**太陽城集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1383)**

### **DISCLOSEABLE TRANSACTION – ACQUISITION OF APPROXIMATELY 24.68% EQUITY INTEREST IN SUMMIT ASCENT HOLDINGS LIMITED**

#### **THE ACQUISITION**

On 23 April 2019, the Purchaser, a wholly-owned subsidiary of the Company, the Vendors and the Second Guarantor entered into the Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendors conditionally agreed to sell, the Sale Shares, representing approximately 24.68% of the issued share capital of the Target as at the date of this announcement at the consideration of HK\$717,812,540.16.

Completion took place on 23 April 2019. Prior to Completion, the Group held approximately 3.29% of the issued share capital of the Target. Upon Completion, the interest of the Group in the Target increased from approximately 3.29% to approximately 27.97%.

#### **LISTING RULES IMPLICATIONS**

The applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5% and all of such ratios are all less than 25%. The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules, and is subject to reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

## **THE ACQUISITION**

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The principal terms of the Agreement are as follows:

### **Subject matter**

The Purchaser conditionally agreed to acquire, and the Vendors conditionally agreed to sell, the Sale Shares, representing approximately 24.68% of the issued share capital of the Target as at the date of this announcement.

The Sale Shares comprise the First Sale Shares and the Second Sale Shares, representing approximately 5.60% and approximately 19.08% of the issued share capital of the Target as at the date of this announcement respectively.

### **Consideration**

The price payable for each Sale Share is HK\$1.94, which represents:

- (a) a premium of approximately 31.08% over the closing price of HK\$1.48 per Target Share as quoted on the Stock Exchange as at the date of the Agreement;
- (b) a premium of approximately 29.68% over the average closing price of HK\$1.496 per Target Share as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the date of the Agreement; and
- (c) a premium of approximately 28.39% over the average closing price of HK\$1.511 per Target Share as quoted on the Stock Exchange for the ten consecutive trading days immediately preceding the date of the Agreement.

The consideration of HK\$717,812,540.16 shall be satisfied by the Purchaser in cash at Completion, of which HK\$162,878,520.00 shall be payable to the First Vendor and HK\$554,934,020.16 shall be payable to the Second Vendor.

The consideration was funded by financing from a company wholly owned by Mr. Chau Cheok Wa, an executive Director and the chairman of the Company, which has previously made available to the Company a facility in the principal amount of up to HK\$1,500 million for the purposes of the Group's daily operations, mergers and acquisitions, investments, business development and other corporate purposes.

The consideration was determined after arm's length negotiation between the Purchaser and the Vendors taking into account, amongst others, (a) the financial performance, business growth and prospects of the Target Group; (b) the recent market price of the Target Shares as quoted on the Stock Exchange; and (c) the factors as set out in the section headed "Reasons for and Benefits of the Acquisition" below.

Having considered the above, the Directors are of the view that the consideration is fair and reasonable and in the interests of the Company and its shareholders as a whole.

### **Conditions precedent**

The obligation of the Purchaser to proceed to Completion is conditional upon:

- (a) the representations, warranties and undertakings of the Vendors and the Second Guarantor under the Agreement remaining true, accurate and complete in all respects and not misleading in any respect as of the Completion Date by reference to the facts and circumstances subsisting as at the Completion Date;
- (b) the Vendors and the Second Guarantor having performed all their obligations under the Agreement which are required to be performed by them at or prior to the Completion Date;
- (c) the Target Shares remaining as of the Completion Date listed and trading on the Main Board of the Stock Exchange and there being, as of the Completion Date, no indication from the Stock Exchange that the listing and/or trading of the Target Shares on the Stock Exchange will be suspended, revoked or withdrawn at any time immediately after Completion as a result of the transactions contemplated by the Agreement or otherwise;
- (d) there having occurred no material adverse effect with respect to any member of the Target Group and there having been promulgated, put into effect, commenced, granted or issued and subsisting or pending as at the Completion Date, no statute, regulation, proceeding, or order pertaining to the Target Group which would or could reasonably be expected to prohibit or restrict the consummation of the transactions contemplated under the Agreement;
- (e) the results of the due diligence review in relation to the Target Group being satisfactory to the Purchaser; and

- (f) (if applicable) all necessary consents, approval, authorisation, permit, waiver, order, concession and notices from the shareholders of the Company or any relevant governmental or regulatory authorities or any other third parties for the entering into or the implementation or completion of the transactions contemplated under the Agreement having been obtained and not having been revoked or withdrawn before Completion.

The Purchaser may, in its absolute discretion, waive the above conditions precedent (other than the condition precedent set out in paragraph (f)) at any time by specific notice in writing to such effect to the Vendors.

The Vendors shall, and the Second Guarantor shall procure that the Second Vendor shall, use their respective best endeavors to procure the fulfilment of all of the conditions precedent prior to the Long Stop Date unless waived by the Purchaser.

Save as otherwise expressly provided in the Agreement, if the condition precedent set out in paragraph (f) shall not have been fulfilled by the Long Stop Date, or the conditions precedent set out in paragraphs (a), (b), (c), (d) and (e) shall not have been fulfilled or waived by the Purchaser on or before the Completion Date, the Agreement and everything therein contained shall become null and void and of no effect, except certain surviving provisions which shall remain in full force and effect, subject to any liability of any of the parties to the Agreement in respect of any antecedent breach of the Agreement.

## **Completion**

Completion took place on 23 April 2019. Prior to Completion, the Group held approximately 3.29% of the issued share capital of the Target. Upon Completion, the interest of the Group in the Target increased from approximately 3.29% to approximately 27.97%. The financial results of the Target Group will not be consolidated into the financial results of the Company upon Completion.

## **INFORMATION ON THE TARGET GROUP**

The Target is a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 102).

The Target is principally engaged in investment holding. The principal activities of the Target Group are the operation of hotel and gaming business in the Integrated Entertainment Zone of the Primorye Region in the Russian Federation.

As disclosed in the announcement of the Target dated 18 March 2019:

- (a) the gaming and hotel operations of the Target Group are conducted through its 60% equity interest in Oriental Regent Limited (“**Oriental Regent**”). The Target Group also receives a management fee income calculated at 3% of the total gaming revenue, net of rebates, generated by G1 Entertainment Limited Liability Company (“**G1 Entertainment**”), a company incorporated in the Russian Federation and wholly owned by Oriental Regent;
- (b) G1 Entertainment holds a gaming license granted indefinitely, and the development rights on two adjacent parcels of land, namely Lot 9 and Lot 10, in the Primorye Integrated Entertainment Zone of the Russian Far East, the largest of five designated zones in the Russian Federation where gaming and casino activities are legally permitted. The first gaming and hotel property, known as Tigre de Cristal, is built on Lot 9 and commenced its business in the fourth quarter of 2015. The Target Group is currently refining the design and construction elements of Phase II of the project on Lot 10, and targets the opening of the first stage of Phase II of the project in the summer of 2021; and
- (c) Tigre de Cristal is currently the only casino, hotel and entertainment destination operating in the Primorye Integrated Entertainment Zone. Since October 2017, Tigre de Cristal has been certified as a 5-star hotel. The property was named “Russia’s Leading Resort 2018” at the Europe Gala Ceremony 2018 organized by the World Travel Awards on 30 June 2018.

The following financial information of the Target Group is extracted from the annual results of the Target for the year ended 31 December 2018 as set out in the announcement of the Target dated 18 March 2019:

|                               | <b>For the<br/>year ended<br/>31 December<br/>2018<br/>(HK\$)</b> | <b>For the<br/>year ended<br/>31 December<br/>2017<br/>(HK\$)</b> |
|-------------------------------|---|---|
| Profit (loss) before taxation | 4,164,000   | (9,851,000)   |
| Profit (loss) after taxation  | 4,056,000   | (9,960,000)   |
|                               | <b>As at<br/>31 December<br/>2018<br/>(HK\$)</b>                  | <b>As at<br/>31 December<br/>2017<br/>(HK\$)</b>                  |
| Total assets                  | 2,005,279,000   | 2,006,311,000   |

## **INFORMATION ON THE GROUP**

The Group is principally engaged in the development of residential and commercial properties as well as leasing of commercial properties in Guangdong, Liaoning and Anhui Provinces, the PRC, and providing hotel and integrated resort management and consultancy service and travel agency services.

The Purchaser is a wholly-owned subsidiary of the Company and its principal business is investment holding.

## **INFORMATION ON THE VENDORS**

The First Vendor is Mr. Kuo Jen-Hao, the legal and beneficial owner of the First Sale Shares prior to Completion. He is also the chairman and a non-executive director of the Target as at the date of this announcement.

The Second Vendor is a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Second Guarantor. The Second Vendor is principally engaged in investment holding.

The Second Guarantor is a company incorporated in Taiwan with limited liability, whose shares are listed on the Taiwan Stock Exchange. The Second Guarantor is principally engaged in dry bulk carrier shipping operation, professional vessel management operation and crewing service which includes crewmember recruit and selection and training. It has entered into the Agreement to guarantee the performance of the obligations of the Second Vendor under the Agreement.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the First Vendor, the Second Vendor and the Second Guarantor is independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group aims to build an integrated tourism-related platform with equity investments in integrated resorts as well as a tourism-related service provider to integrated resorts within the Asian region. The Directors believe that the Acquisition is in the interests of the Company and its shareholders as a whole for the following reasons:

### **1. Synergy to the Company**

The Company aims to increase its investment in tourism related property projects regions other than China, among which, the Company believes that Russia is a favorable place for investment. Based on publicly available information, Russia was in the top three (after United Kingdom and France) most popular European travel destinations for Chinese tourists in 2018. In 2017, nearly 1.8 million Chinese citizens travelled to Russia.

Sun Travel Ltd., a wholly-owned subsidiary of the Company, has been acquiring customers (majority Chinese customers) through its operations and those customers may want to visit destinations with gaming facilities. The Company believes that this will create synergies to the Group. The investment in Vietnam Hoiana Resort (the details of which are disclosed in the circular of the Company dated 1 November 2017 and the announcement of the Company dated 28 August 2018) is the first step and the potential cooperation in Paradise's casino in Busan, Korea (the details of which are disclosed in the announcement of the Company dated 21 February 2019) and the current project in Russia, being the subject of the Acquisition, will form strategic footprints within the region. In the coming future, after the launch of mobile application of Sun Travel Ltd., it may promote the Company's presence in its platform and cross-selling among the different projects to achieve a better result.

### **2. Phase II development of Tigre de Cristal**

As the Target Group is going to develop Phase II of the Tiger de Cristal project, it is the right time for the Company to increase its stake in the Target Group such that the Company can have more influence on the development of Phase II. The management team of the Company has vast experience in development of integrated resorts with casino.

### **3. Acceleration of Tourism**

Tourism in the Primorye region has grown significantly in recent years with visitors from neighboring countries China, South Korea and Japan. The Primorsky Krai Department of Tourism has continued to expand its marketing efforts, and there are more direct flights from those areas over the past few years.

The Board considers that the terms of the Agreement are fair and reasonable, and that the entering into of the Agreement and the transactions contemplated thereunder are in the interests of the Company and the shareholders of the Company as a whole.

### **LISTING RULES IMPLICATIONS**

The applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5% and all of such ratios are all less than 25%. The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules, and is subject to reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

### **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

|               |   |
|---------------|---|
| “Acquisition” | the sale and purchase of the Sale Shares pursuant to the terms of the Agreement   |
| “Agreement”   | the agreement dated 23 April 2019 entered into among the Purchaser, the Vendors and the Second Guarantor in respect of the Acquisition  |
| “Board”       | the board of Directors  |
| “Company”     | Suncity Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1383) |

|                      |  |
|----------------------|--|
| “Completion”         | completion of the Agreement  |
| “Completion Date”    | the date on which Completion occurs  |
| “Director(s)”        | the director(s) of the Company   |
| “First Sale Shares”  | 83,958,000 Target Shares   |
| “First Vendor”       | Mr. Kuo Jen-Hao  |
| “G1 Entertainment”   | has the meaning as set out in the section headed “ <b>INFORMATION ON THE TARGET GROUP</b> ” in this announcement   |
| “Group”              | the Company and its subsidiaries from time to time   |
| “Hong Kong”          | the Hong Kong Special Administrative Region of the People’s Republic of China  |
| “Listing Rules”      | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “Long Stop Date”     | 29 April 2019 or such later date as the Purchaser and the Vendors may agree in writing   |
| “Oriental Regent”    | has the meaning as set out in the section headed “ <b>INFORMATION ON THE TARGET GROUP</b> ” in this announcement   |
| “Purchaser”          | Victor Sky Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, being a wholly-owned subsidiary of the Company |
| “Sale Shares”        | the First Sale Shares and the Second Sale Shares   |
| “Second Guarantor”   | First Steamship Company Limited, a company incorporated in Taiwan with limited liability   |
| “Second Sale Shares” | 286,048,464 Target Shares  |

|                  |   |
|------------------|---|
| “Second Vendor”  | Heritage Riches Limited, a company incorporated in the British Virgin Islands with limited liability, being a wholly-owned subsidiary of the Second Guarantor                                 |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited   |
| “Target”         | Summit Ascent Holdings Limited (凱升控股有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 102) |
| “Target Group”   | the Target and its subsidiaries   |
| “Target Shares”  | the shares in the issued share capital of the Target  |
| “Vendors”        | the First Vendor and the Second Vendor  |
| “HK\$”           | Hong Kong dollar, the lawful currency of Hong Kong  |
| “%”              | per cent.   |

By order of the Board  
**Suncity Group Holdings Limited**  
**Chau Cheok Wa**  
*Chairman*

Hong Kong, 23 April 2019

*As at the date of this announcement, the executive Directors are Mr. Chau Cheok Wa, Mr. Lo Kai Bong, Mr. Au Chung On John and Mr. Manuel Assis Da Silva; and the independent non-executive Directors are Mr. Tou Kin Chuen, Dr. Wu Kam Fun Roderick and Mr. Lo Wai Tung John.*