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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 AND CONNECTED TRANSACTION: FOPM SHARES SUBSCRIPTION – DEEMED DISPOSAL OF INTEREST IN THE FOPM GROUP

INTRODUCTION

On 28 November 2019, the Subscriber (a connected person of the Company at the subsidiary level) agreed to subscribe for the FOPM Subscription Shares (i.e. 150 million new FOPM Shares) under and pursuant to the FOPM Subscription Agreement, completion of which was proceeded with on 10 December 2019. The total consideration involved in the FOPM Shares Subscription of PHP150 million was paid in full by the Subscriber in cash upon signing of the FOPM Subscription Agreement on 28 November 2019.

Immediately following completion of the FOPM Shares Subscription on 10 December 2019, FOPM Group (which comprises FOPM and CityLink) ceased as subsidiaries of the Company and FOPM became 24.27% owned by SunTrust (an indirect 51% owned subsidiary of the Company).

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Deemed Disposal exceeds 5% but is less than 25%, the Deemed Disposal constitutes a discloseable transaction for the Company under Chapter 14. The Subscriber is a connected person of the Company at the subsidiary level. The Deemed Disposal constitutes a deemed disposal and a connected transaction for the Company under Chapter 14A and is subject to reporting and announcement requirements but is exempt from the circular, independent financial adviser and independent Shareholders' approval pursuant to Rule 14A.101.

FOPM SHARES SUBSCRIPTION

On 28 November 2019, the Subscriber (a connected person of the Company at the subsidiary level as more particularly described in “Information of the Subscriber” in this announcement) agreed to subscribe for the FOPM Subscription Shares (i.e. 150 million new FOPM Shares) under and pursuant to the FOPM Subscription Agreement, completion of which was proceeded with on 10 December 2019.

The date, parties and principal terms of the FOPM Subscription Agreement are as follows:

Date	:	28 November 2019
Issuer	:	FOPM, an indirect 51% owned subsidiary of the Company immediately prior to completion of the FOPM Shares Subscription.
Subscriber	:	The Subscriber, a connected person of the Company at the subsidiary level as more particularly described in “Information of the Subscriber” in this announcement.
Subject matter	:	The FOPM Subscription Shares (i.e. 150 million new FOPM Shares) agreed to be subscribed for by the Subscriber at the FOPM Subscription Price.
Subscription Price	:	An aggregate of PHP150 million at a subscription price of PHP1.0 per FOPM Subscription Share. The consideration was determined based on the aggregate par value of the FOPM Subscription Shares.
Payment term	:	The FOPM Subscription Price was paid in full by the Subscriber in cash to FOPM upon signing of the FOPM Subscription Agreement on 28 November 2019.
Completion of the FOPM Shares Subscription	:	The FOPM Shares Subscription had proceeded to completion on 10 December 2019 with the obtaining of SEC’s approval to the increase in authorised stock capital of FOPM.

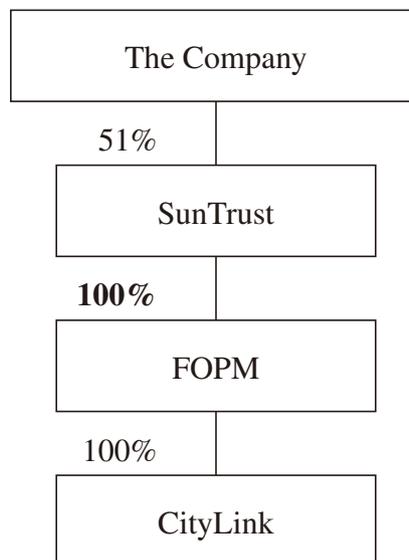
INFORMATION OF THE FOPM GROUP

General information

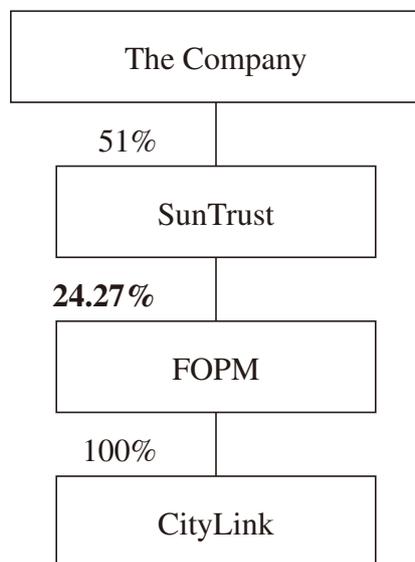
The FOPM Group comprises FOPM and CityLink.

FOPM is primarily engaged in the management of real estate properties in the Philippines. CityLink is primarily engaged in providing transportation services in the Philippines.

Immediately prior to completion of the FOPM Shares Subscription on 10 December 2019, FOPM was wholly-owned by SunTrust (an indirect 51% owned subsidiary of the Company) and CityLink was wholly-owned by FOPM, the simplified shareholding structure of the FOPM Group is diagrammatically shown below:



Immediately following completion of the FOPM Shares Subscription on 10 December 2019, FOPM became 24.27% owned by SunTrust and 75.73% owned by the Subscriber. FOPM and CityLink ceased to be subsidiaries of the Company. The simplified shareholding structure of the FOPM Group is diagrammatically shown below:



Financial information

The following is a summary of the unaudited consolidated financial information of the FOPM Group, prepared in accordance with Philippine Financial Reporting Standards, for the periods as stated below:

	For the year ended	
	31 December 2017	31 December 2018
	<i>(PHP'000)</i>	<i>(PHP'000)</i>
	(unaudited)	(unaudited)
Net profit before tax and extraordinary items	94,512	153,941
Net profit after tax and extraordinary items	63,627	104,973

The following was the consolidated net asset value of the FOPM Group, prepared in accordance with Philippine Financial Reporting Standards, as at the dates specified below:

	31 December 2018	30 September 2019
	<i>(PHP'000)</i>	<i>(PHP'000)</i>
	(unaudited)	(unaudited)
Consolidated net asset value	370,162	401,259

INFORMATION OF THE SUBSCRIBER

The Subscriber is a 50% owned company of Megaworld, which is a connected person of the Company at the subsidiary level for being solely a substantial shareholder of the Company's 51% owned subsidiary, SunTrust, currently holding 34% interest in SunTrust. The Subscriber is therefore an associate of Megaworld and a connected person of the Company at the subsidiary level.

The remaining interest in the Subscriber is ultimately beneficially owned by Andrew Lim Tan, a Filipino entrepreneur, who is the director, chairman, president and an indirect substantial shareholder of Megaworld.

The Subscriber is principally engaged in investment holding.

Megaworld is a company incorporated in the Philippines, the shares of which are listed on the PSE. Megaworld is the listing vehicle of its group of companies, the principal business of which is real estate development.

FINANCIAL EFFECT OF THE DEEMED DISPOSAL ON THE COMPANY

Following completion of the FOPM Shares Subscription, the results of operation and financial position of the FOPM Group will not be consolidated in the financial statements of the Group.

For illustration purpose and subject to audit, a pre-tax loss of approximately PHP264,693,000 (equivalent to approximately HK\$40,688,000) is expected to be recognised by the Company for the year ended 31 December 2019 as a result of the Deemed Disposal (representing the difference between the fair value of retained interest in FOPM and the unaudited consolidated net asset value of the FOPM Group as at 30 November 2019). The actual amount of loss to be recognised by the Company will be subject to audit and may be different from the amount of loss expected to be recognised.

INFORMATION OF THE GROUP

The Group is principally engaged in (i) property development in Guangdong and Anhui Provinces in the People's Republic of China; (ii) property leasing in Shenzhen in the People's Republic of China; (iii) provision of hotel and integrated resort general consultancy service; and (iv) provision of travel related products and service. The Group has been expanding its tourism-related business in the South East Asia region.

REASON FOR, AND BENEFITS OF, THE DEEMED DISPOSAL FOLLOWING COMPLETION OF THE FOPM SHARES SUBSCRIPTION AND USE OF THE FOPM SUBSCRIPTION PRICE

The Group acquired 51% interest in SunTrust on 28 October 2019 to establish the Group's footprint in the growing casino and entertainment market of the Philippines as well as providing synergies to the overall tourism-related business of the Group in the South East Asia region.

The principal businesses of the FOPM Group as more particularly described in "Information of the FOPM Group" in this announcement is entirely unrelated to the casino and entertainment market of the Philippines in which the Group is investing and has never been the basis upon which the Group made its investment in SunTrust. The Group has no intention to make any further investment in the FOPM Group which is engaged in businesses which are entirely unrelated to the casino and entertainment market of the Philippines in which the Group is investing.

It has been the intention of the FOPM Group to invest further in its businesses before the Group considered making its investment in SunTrust, in which the Group finds it commercially not justified if SunTrust shall be its subsidiary which in turn is holding the FOPM Group. The Deemed Disposal enables the FOPM Group to secure the necessary funding it needed for the deployment of its businesses without any further capital commitment by the Group. It also allows SunTrust to devote its resources to tourism-related business.

IMPLICATIONS OF THE LISTING RULES

Chapter 14

The Deemed Disposal ended up with the equity interest of SunTrust in the FOPM Group diluted from 100% to 24.27% and constitutes a deemed disposal under Rule 14.29 and a transaction under Chapter 14.

As one or more of the applicable percentage ratios in respect of the Deemed Disposal exceeds 5% but is less than 25%, the Deemed Disposal constitutes a discloseable transaction for the Company under Chapter 14 and is subject to the reporting and announcement requirements under Chapter 14.

Chapter 14A

The Subscriber is a connected person of the Company at the subsidiary level as described in “Information of the Subscriber” in this announcement. The Deemed Disposal constitutes a deemed disposal and a connected transaction for the Company under Chapter 14A.

Exemption under Rule 14A.101

Subsequent to the Deemed Disposal:

- (1) the Deemed Disposal on terms of the FOPM Subscription Agreement was ratified, confirmed and approved by the Board on 17 January 2020; and
- (2) all the independent non-executive Directors have confirmed that the terms of the Deemed Disposal on terms of the FOPM Subscription Agreement are fair and reasonable, is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

On the above bases, the Deemed Disposal on terms of the FOPM Subscription Agreement is therefore under Rule 14A.101 subject to reporting and announcement requirements but is exempt from the circular, independent financial adviser and independent Shareholders’ approval under Chapter 14A.

No Director is interested in the Deemed Disposal and none of the Directors was required to abstain from voting at the resolution of the Board ratifying, confirming and approving the Deemed Disposal.

On the basis that the financial results and the financial position of the FOPM Group have never been material insofar as the Group or its investment in SunTrust is concerned, the Directors (including the independent non-executive Directors) are of the view that the Deemed Disposal on terms of the FOPM Subscription Agreement is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

DEFINITIONS

In this announcement, unless the context otherwise required, the following terms and expressions have the following meaning:

“Board”	the board of Directors
“Company”	Suncity Group Holdings Limited (太陽城集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange (Stock Code: 1383)
“connected person”	has the same meaning ascribed to it under the Listing Rules
“Deemed Disposal”	has the same meaning in Rule 14.29 and in the context of the FOPM Shares Subscription, means the deemed disposal of 75.73% equity interest of the Group in the FOPM Group following completion of the FOPM Shares Subscription
“Directors”	the directors of the Company
“FOPM Group”	collectively, the following companies: <ol style="list-style-type: none">(1) First Oceanic Property Management, Inc (“FOPM”), a company incorporated in the Philippines and a wholly owned subsidiary of SunTrust, a 51% owned subsidiary of the Company immediately prior to completion of the FOPM Shares Subscription; and(2) CityLink Coach Services, Inc., a company incorporated in the Philippines (“CityLink”) and a wholly-owned subsidiary of FOPM immediately before and after completion of the FOPM Shares Subscription
“FOPM Shares”	ordinary shares of par value of PHP1.0 each in the share capital of FOPM
“FOPM Shares Subscription”	the subscription of the FOPM Subscription Shares at the FOPM Subscription Price by the Subscriber under and pursuant to the FOPM Subscription Agreement

“FOPM Subscription Agreement”	the subscription agreement dated 28 November 2019 in relation to the FOPM Shares Subscription entered into by FOPM as issuer and the Subscriber as subscriber
“FOPM Subscription Price”	PHP150 million, being the aggregate subscription price for the FOPM Subscription Shares at a subscription price of PHP1.0 per FOPM Subscription Share
“FOPM Subscription Shares”	the 150 million new FOPM Shares agreed to be subscribed by the Subscriber under and pursuant to the FOPM Subscription Agreement
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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
“Megaworld”	Megaworld Corporation, a company incorporated in the Philippines the shares of which are listed on the PSE and a connected person of the Company at the subsidiary level
“PHP”	Philippine peso, the lawful currency of Philippines
“PSE”	The Philippines Stock Exchange Inc.
“SEC”	the Philippines Securities and Exchange Commission
“Shareholder”	the holder of any one or more Shares
“Shares”	ordinary shares of par value of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Asian E-Commerce, Inc., a company incorporated in the Philippines and a connected person of the Company at the subsidiary level

“substantial shareholder”

has the meaning ascribed to it under the Listing Rules

“SunTrust”

Suntrust Home Developers, Inc., a company incorporated in the Philippines, the shares of which are listed on the PSE (stock code: SUN) and a 51% indirect owned subsidiary of the Company

“%”

per cent.

Notes:

- (1) All references to times and dates are references to Hong Kong time unless otherwise stated.
- (2) In this announcement, unless otherwise stated, all references to Rules and Chapters are references to Rules and Chapters of the Listing Rules.
- (3) When translated, each HK\$ amount stated in this announcement was translated at the exchange rate of HK\$1.0 to PHP6.5055.

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

Hong Kong, 16 March 2020

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.