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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)

**PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS TO BE
ISSUED BY A SUBSIDIARY, SUNTRUST**

As disclosed in “Share Subscription by the Purchaser – Conditions Subsequent – (3)” in the 1029 Announcement, the signing of the CB Subscription Agreement is a Condition Subsequent to the Shares Subscription Agreement.

The principal terms and conditions of the CB Subscription Agreement and the CB are set out in this announcement.

Given that SunTrust is a 51% non-wholly owned subsidiary of the Company, the payment of the subscription price for the CB by the Purchaser to SunTrust upon completion of the CB Subscription Agreement will not constitute the provision of financial assistance for the purposes of Chapter 14 pursuant to the exception under Rule 14.04(1)(e)(ii).

SunTrust is not a “connected subsidiary” or a “commonly held entity” or a “connected person” of the Company. The CB Subscription does not constitute a connected transaction for the purposes of Chapter 14A either.

The conversion of the CB into the Conversion Shares upon exercise of the Conversion Rights will constitute an acquisition of equity interest by the Group in SunTrust. As mentioned in “The CB Subscription Agreement – Principal terms of the CB – Conversion” in this announcement, upon full exercise of the Conversion Rights at the initial Conversion Price of PHP1.1, the Group’s interest in SunTrust will be increased from 51% to approximately 74.42% (on the basis of 7,250,000,000 SunTrust Shares in issue as at the date of this announcement and assuming no change in that number other by the issue of the Conversion Shares). The Company will comply with the applicable requirements of the Listing Rules upon exercise of the Conversion Rights if and when necessary.

Reference is made to the 1st Announcement. Unless otherwise defined in this announcement, capitalised terms used in this announcement have the same meaning as defined in the 1st Announcement.

THE CB SUBSCRIPTION AGREEMENT

As disclosed in “Share Subscription by the Purchaser – Conditions Subsequent – (3)” in the 1029 Announcement, the signing of the CB Subscription Agreement is a Condition Subsequent to the Shares Subscription Agreement.

The Board is pleased to announce that the CB Subscription Agreement has been entered into with the date, parties and principal terms and conditions of which set out below:

- Date** : 29 May 2020.
- Parties** : (1) SunTrust, as issuer of the CB; and
(2) the Purchaser, as subscriber of the CB.
- Subscription of the CB** : Subject to the Conditions Precedent, the Purchaser agrees to subscribe and SunTrust agrees to issue the CB in the aggregate principal amount of PHP7.3 billion (equivalent to approximately HK\$1.1 billion) for cash.

Conditions Precedent : Completion of the subscription and issuance of the CB is conditional upon fulfilment or as the case may be, waiver of the following conditions no later than the Long Stop Date:

- (1) the obtaining by SunTrust of the necessary consent, approval and waiver from SEC and other relevant governmental authority in the Philippines to the signing of the CB Subscription Agreement, the issue of the CB and the other transactions contemplated under the CB Subscription Agreement, including (if necessary) the obtaining of the prior approval of the SEC confirming the issue of the CB is exempt under Rule 10.1 of the Securities Regulation Code of the Philippines;
- (2) compliance by SunTrust with the applicable requirements, if any, under the PSE Listing Rules in respect of the CB Subscription Agreement and the issue of the CB, including (if necessary) the disclosure by way of a Comprehensive Corporate Disclosure of the required information under the PSE Listing Rules through the Electronic Disclosure Generation Technology of the PSE;
- (3) compliance by the Company with the applicable requirements under the Listing Rules in respect of the CB Subscription Agreement and the transactions contemplated hereunder; and
- (4) as at the date of the CB Subscription Agreement up to completion of the CB Subscription Agreement, there shall have been no occurrence of any circumstances or events which individually or together, is or is likely to have a material adverse effect or a prolonged suspension or material limitation of trading in securities generally on PSE.

The Purchaser may, at its discretion and upon such terms as it thinks fit, waive compliance with the Conditions Precedent set out in paragraph (4) above at or before 5:00 p.m. of the Long Stop Date. Save for the Subscription Conditions Precedent set out in paragraph (4) above, the other Conditions Precedent may not be waived.

If the Conditions Precedent are not fulfilled (or as the case may be, waived by the Purchaser) on or before the Long Stop Date, the CB Subscription Agreement shall terminate and the parties to the CB Subscription Agreement shall be released and discharged from their respective obligations under the CB Subscription Agreement with respect to the issue and subscription of the CB.

Completion : Completion of the CB Subscription Agreement shall take place on the fifth (5th) business day after the fulfillment (or waiver) of the Conditions Precedent (or such other date as SunTrust and the Purchaser may agree in writing).

Principal terms of the CB

Principal amount : PHP7.3 billion (equivalent to approximately HK\$1.1 billion)

Subscription price : 100% of the aggregate principal amount of the CB (i.e. PHP7.3 billion).

Form and denomination : The CB will be issued in registered form and in a minimum denomination of PHP50,000,000 each save where the outstanding amount of the CB is less than PHP50,000,000 in which case the CB may be issued in such lesser amount.

Interest : Zero coupon.

Default interest : 3.5% per annum on all amounts overdue from the due date for payment up to and including the date of full payment.

- Maturity Date** : the date falling on the fifth (5th) anniversary of the issue date of the CB which may, subject to agreement by the holder of the CB upon request by SunTrust, be extended to the date falling on the tenth (10th) anniversary of the issue date of the CB or, if that is not a business day, the first business day thereafter (the “**Maturity Date**”).
- Conversion Price** : PHP1.1, being the initial Conversion Price, subject to adjustment in accordance with the conditions of the CB.
- Adjustment to the Conversion Price** : The Conversion Price will be subject to adjustments upon the occurrence of certain events, the principal ones are summarised below:
- (1) consolidation, subdivision or reclassification of SunTrust’s Shares;
 - (2) capitalisation of profits or reserves of SunTrust (other than in lieu of a cash dividend);
 - (3) issue of SunTrust’s Shares by way of a scrip dividend where the current market price exceeds the amount of the relevant cash dividend;
 - (4) capital distribution to the shareholders of SunTrust;
 - (5) rights issues of SunTrust’s Shares or options over SunTrust’s Shares (at less than 80% of the current market price per SunTrust Share);
 - (6) rights issues of other securities by SunTrust;
 - (7) issue (other than as mentioned in (5) above), or issue or grant (otherwise as mentioned in paragraph (5) above) any options, warrants or other rights to subscribe for or purchase any SunTrust’s Shares at a price per SunTrust Share which is less than 80% of the current market price per SunTrust Share;

- (8) other issue by SunTrust or its subsidiaries (other than as mentioned in (5), (6) or (7) above) of any securities carrying the rights of conversion into, or exchange or subscription for SunTrust's Shares or securities which by their terms might be redesignated as SunTrust's Shares, and the consideration per SunTrust Share receivable by SunTrust in respect of such conversion, exchange, subscription or redesignation is less than 80% of the current market price per SunTrust Share;
- (9) modification of the rights of conversion, exchange, subscription or redesignation attaching to any securities mentioned in (8) above so that following such modification the consideration per SunTrust Share receivable by SunTrust in respect of such conversion, exchange, subscription or redesignation is less than 80% of the current market price per SunTrust Share; and
- (10) other offers of securities by SunTrust or its subsidiaries or any other persons in connection with which the shareholders of SunTrust are entitled to participate in arrangements whereby such securities may be acquired by them.

Conversion period : the period commencing from the day immediately following the issue date of the CB up to 4:00 p.m. on the Maturity Date ("**Conversion Period**").

Conversion : Each holder of the CB has the right to convert all or any part of the CB held by it into SunTrust Shares at the Conversion Price (subject to adjustment) credited as fully paid at any time during the Conversion Period.

Each conversion shall be in an amount not less than a whole multiple of PHP50,000,000 unless the remaining outstanding principal amount of the CB is less than PHP50,000,000, in which case the whole of such balance (but not part of it) may be converted into SunTrust Shares credited as fully paid.

The number of SunTrust Shares to be issued on exercise of any Conversion Rights will be determined by dividing the PHP principal amount of the CB to be converted by the Conversion Price in effect on the relevant date of conversion. No fractions of a Conversion Share will be issued on exercise of the Conversion Rights and no cash payment or other adjustment will be made in respect thereof.

The Conversion Shares will in all respects rank pari passu with the SunTrust Shares then in issue, including any rights to distributions or other payments which may thereafter be declared, made or paid from time to time by SunTrust.

6,636,363,636 Conversion Rights will be issuable upon full exercise of the Conversion Rights at the initial Conversion Price of PHP1.1, representing approximately 47.79% of the enlarged issued share capital of SunTrust as enlarged by the Conversion Shares and the shareholding of the Purchaser in SunTrust will be increased from 51% to approximately 74.42% (on the basis of 7,250,000,000 SunTrust Shares in issue as at the date of this announcement and assuming no change in that number other by the issue of the Conversion Shares).

Conversion restriction : Notwithstanding any other terms and conditions of the CB, the holder(s) of the CB shall exercise the Conversion Rights attaching to the CB only if it is confirmed by SunTrust in writing that the allotment and issue of the Conversion Shares to such holder(s) of the CB pursuant to an exercise of the Conversion Rights will not cause SunTrust to be in breach of the relevant minimum public float requirement under the relevant PSE rules or circular, which is currently 10%.

Redemption : **No early redemption by SunTrust**

The CB may not be redeemed by SunTrust at any time prior to the Maturity Date.

The holder of the CB may request for early redemption of the CB at any time during the period commencing from the day immediately after the first anniversary of the issue date of the CB and expiring on the Maturity Date.

Redemption at Maturity

Unless previously redeemed, converted, purchased or cancelled, SunTrust shall redeem the CB on the Maturity Date or if extended, on the Maturity Date as extended, at their outstanding principal amount together with default interest (if any).

Redemption upon event of default

Upon the occurrence of an event of default (brief particulars of which are mentioned in “Events of default” below), SunTrust shall redeem the CB at their outstanding principal amount together with default interest (if any).

- Events of default** :
- Among other customary events of default, set out below are the principal events of default under the CB:
- (1) **Payment default:** a default is made in the payment of any sum due on the CB when due and such default shall not have been cured by payment by SunTrust within 15 days after the due date; or
 - (2) **Breach of the CB Subscription Agreement:** a material breach of any of the terms of the CB Subscription Agreement by SunTrust, including a breach of any warranty, covenants and/or undertakings therein; or

- (3) **Dissolution of the SunTrust or a subsidiary of SunTrust and disposals:** a resolution is passed or an order of a court of competent jurisdiction is made that SunTrust or a subsidiary of SunTrust be wound up or dissolved or SunTrust or a subsidiary of SunTrust disposes of all or substantially all of its assets, otherwise, in any such case, than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reorganisation, the terms of which shall have previously been approved in writing by an extraordinary resolution of the holders of the CB; or
- (4) **Trading suspension and delisting:** if the SunTrust Shares are suspended by PSE for a period of 30 consecutive trading days or listing of the SunTrust Shares on PSE are being revoked or withdrawn; or
- (5) **Failure to obtain approval of shareholders:** failure to obtain the necessary approval of the minority shareholders of SunTrust required for the listing of the Conversion Shares on the PSE prior to the submission of the application for listing on the PSE; or
- (6) **No listing approval:** failure to obtain approval of the PSE for the listing of the Conversion Shares on PSE within one (1) year from the filing of the relevant application for listing; or
- (7) **Cross default:** any other present or future indebtedness of SunTrust or any subsidiary of SunTrust for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of an event of default (however called).

Status of the CB : The CB shall constitute direct, unconditional, unsubordinated and unsecured obligations of SunTrust and shall at all times rank pari passu and without any preference or priority among themselves.

Transferability of the CB : Subject to the terms and conditions of the CB, the CB may be transferred to any person in whole multiples of PHP50,000,000 (or such lesser amount as may represent the entire principal amount thereof).

Any transfer of the CB to any related party of SunTrust (a shareholder, their immediate family, holding at least 10% or more of the equity of SunTrust, or any director, officer or employee of the corporation, its parent or affiliates), shall be (i) immediately reported and disclosed to PSE and (ii) to the SEC within three (3) calendar days from its execution provided there shall be no transfer or assignment of the CB if such transfer or assignment will result in the CB being held by more than nineteen (19) holders at any one time.

Voting : The CB does not confer any voting rights on its holder at any general meetings of SunTrust.

No listing of the CB : No application has been or will be made for the listing of the CB on PSE or any other stock exchange.

INFORMATION OF SUNTRUST

SunTrust is a company incorporated in the Philippines, the shares of which (i.e. the SunTrust Shares) are listed on PSE and a 51% non-wholly owned subsidiary of the Company.

Pursuant to the O&M Agreement, SunTrust is appointed as the sole and exclusive operator and manager of the Main Hotel Casino, through which the Group is to expand its tourism-related business in the South East Asia region.

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 in Vietnam; 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 CB SUBSCRIPTION

The reason for and benefits of the Acquisition, the Shares Subscription, the Megaworld Shares Subscription and the Aurora Shares Subscription are disclosed in the 1029 Announcement. The reason for and benefits of the Project Site Payment are disclosed in the 1125 Announcement and the circular of the Company dated 26 March 2020. The reason for and benefits of the Lease Agreement are disclosed in the 2020 0224 Announcement and the circular of the Company dated 26 March 2020. The reason for and benefits of the O&M Agreement are disclosed in the 2020 0504 Announcement.

The subscription price payable by the Purchaser for the subscription of the CB under the CB Subscription will be applied by SunTrust for the development of the Main Hotel Casino. Apart from that, the Conversion Rights attached to the CB will minimise the risk of the Group's percentage interest in SunTrust from being diluted in the event of future equity related funding exercise of SunTrust.

The Directors consider that the terms of the CB Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS OF THE LISTING RULES

Given that SunTrust is a 51% non-wholly owned subsidiary of the Company, the payment of the subscription price for the CB by the Purchaser to SunTrust upon completion of the CB Subscription Agreement will not constitute the provision of financial assistance for the purposes of Chapter 14 pursuant to the exception under Rule 14.04(1)(e)(ii).

SunTrust is not a "connected subsidiary" or a "commonly held entity" or a "connected person" of the Company. The CB Subscription does not constitute a connected transaction for the purposes of Chapter 14A either.

The conversion of the CB into the Conversion Shares upon exercise of the Conversion Rights will constitute an acquisition of equity interest by the Group in SunTrust. As mentioned in "The CB Subscription Agreement – Principal terms of the CB – Conversion" in this announcement, upon full exercise of the Conversion Rights at the initial Conversion Price of PHP1.1, the Group's interest in SunTrust will be increased from 51% to approximately 74.42% (on the basis of 7,250,000,000 SunTrust Shares in issue as at the date of this announcement and assuming no change in that number other by the issue of the Conversion Shares). The Company will comply with the applicable requirements of the Listing Rules in the event that it does exercise the Conversion Rights.

DEFINITIONS

In this announcement, unless the context otherwise required, the following terms and expressions have the following meanings when used herein.

1st Announcement	collectively, the announcements of the Company (1) dated 29 October 2019 (“ 1029 Announcement ”) on the Acquisition, the Shares Subscription, the Megaworld Shares Subscription and the Aurora Shares Subscription; (2) dated 5 November 2019 on the Megaworld Shares Subscription; (3) dated 25 November 2019 (“ 1125 Announcement ”) on the Project Site Payment; (4) dated 20 January 2020 on the payment schedule of the Project Site Payment; (5) dated 24 February 2020 on the Lease Agreement (“ 2020 0224 Announcement ”); (6) dated 30 March 2020 on the supplemental agreements to the Shares Subscription and the Project Site Payment; and (7) dated 4 May 2020 on the O&M Agreement, respectively (“ 2020 0504 Announcement ”)
CB	the PHP7,300,000,000 (equivalent to approximately HK\$1.1 billion) zero coupon convertible bonds of SunTrust to be issued by SunTrust to the Purchaser under and pursuant to the terms and conditions of the CB Subscription Agreement
CB Subscription	the conditional subscription of the CB by the Purchaser under and pursuant to the CB Subscription Agreement
CB Subscription Agreement	the conditional subscription agreement dated 29 May 2020 made between SunTrust as issuer and the Purchaser as subscriber in relation to the CB Subscription
Conditions Precedent	the conditions precedent as set out in “The CB Subscription Agreement – Conditions Precedent” in this announcement
Conversion Period	the period during which the Conversion Rights may be exercised and as defined in “The CB Subscription Agreement – Principal terms of the CB – Conversion period” in this announcement

Conversion Price	PHP1.1, being the price at which the Conversion Shares are to be issued upon exercise of the Conversion Rights, subject to adjustment in accordance with the conditions of the CB
Conversion Rights	the rights to convert the CB into Conversion Shares
Conversion Shares or SunTrust Shares	common shares of SunTrust of par value of PHP1.0 each in the share capital of SunTrust
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Long Stop Date	31 July 2020 (or such later date as SunTrust and the Purchaser may agree in writing), being the date for fulfilment or as the case may be, waiver of the Conditions Precedent
Maturity Date	has the meaning as defined in “The CB Subscription Agreement – Principal terms of the CB – Maturity Date” in this announcement
PSE	The Philippines Stock Exchange Inc.
PSE Listing Rules	the PSE Consolidated Listing and Disclosure Rules
Purchaser	Fortune Noble Limited, a company incorporated in the British Virgin Islands with limited liability, being a wholly-owned subsidiary of the Company
SEC	the Philippine Securities and Exchange Commission
Stock Exchange	The Stock Exchange of Hong Kong Limited
SunTrust	Suntrust Home Developers, Inc., a company incorporated in the Philippines, the shares of which are listed on PSE (stock code: SUN) and a 51% non-wholly owned subsidiary of the Company

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 PHP6.64.

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

Hong Kong, 29 May 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.