

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.



太陽國際集團有限公司

SUN INTERNATIONAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8029)

- (1) DISCLOSEABLE TRANSACTION, CONNECTED TRANSACTION AND SPECIAL DEAL UNDER THE DISPOSAL AGREEMENT**
- (2) MAJOR TRANSACTION, CONNECTED TRANSACTION AND SPECIAL DEAL UNDER THE SHARE SALE AGREEMENT**
- (3) CONTINUING CONNECTED TRANSACTION AND SPECIAL DEAL UNDER THE MASTER SERVICE AGREEMENT**
- (4) CONNECTED TRANSACTION RELATING TO SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE**
- (5) APPLICATION FOR WHITEWASH WAIVER**

THE DISPOSAL AGREEMENT

On 14 February 2019 (after trading hours of the Stock Exchange), the Disposal Vendor, being a wholly-owned subsidiary of the Company, entered into the Disposal Agreement with the Disposal Purchaser, pursuant to which the Disposal Vendor has conditionally agreed to sell the Sale Interest and the Disposal Purchaser has conditionally agreed to acquire the Sale Interest at the Consideration of HK\$31,998,318. Pursuant to the Disposal Agreement, the Consideration shall be set off against part of the principal amount of the Promissory Note 4 and the outstanding interest accrued up to 31 December 2018 of the Promissory Note 2, the Promissory Note 3 and the Promissory Note 4 in the amount of HK\$31,998,318, which is equivalent to the outstanding amount of the Sale Loan and the outstanding interest accrued thereon as at 2 August 2018.

THE SHARE SALE AGREEMENT

On 14 February 2019 (after trading hours of the Stock Exchange), the Share Sale Vendor, being a wholly-owned subsidiary of the Company, entered into the Share Sale Agreement with the Share Sale Purchaser, pursuant to which the Share Sale Vendor has conditionally agreed to sell the Sale Shares and the Share Sale Purchaser has conditionally agreed to acquire the Sale Shares at the Purchase Price.

Pursuant to the Share Sale Agreement, following Share Sale Completion, the whole amount of the Sun Kingdom Loan shall be set off against part of the principal amount of the Promissory Note 2 in the amount of HK\$81,447,212.13 (equivalent to approximately AUD14,440,995.06, being the amount of the Sun Kingdom Loan).

THE MASTER SERVICE AGREEMENT

According to the terms of the Share Sale Agreement, upon Share Sale Completion, Sun Stud, being a wholly-owned subsidiary of the Company, and the Target Company will enter into the Master Service Agreement, pursuant to which the Sun Stud Group will agree to provide the Services to the Target Company and/or its Affiliates (including but not limited to Sun Bloodstock) for a term commencing from the Share Sale Completion Date and ending on 31 March 2021 (both days inclusive). It is expected that upon Share Sale Completion, all the horse racing related services will be provided by Sun Stud Group to the Target Company and/or its Affiliates (including but not limited to Sun Bloodstock) under the Master Service Agreement.

THE SUBSCRIPTION AGREEMENT

On 14 February 2019 (after trading hours of the Stock Exchange), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 868,434,000 Subscription Shares at the Subscription Price of HK\$0.31 per Subscription Share. Pursuant to the Subscription Agreement, the Subscription Monies shall be set off against (i) the entire principal amount of the Sun Finance Loan; (ii) the outstanding interest accrued up to 31 December 2018 of the Promissory Note 1; and (iii) the relevant principal amount of the Promissory Note 1, the Promissory Note 2 and the Promissory Note 4, in an aggregate amount equivalent to the Subscription Monies upon Subscription Completion.

The Subscription Shares represent (i) approximately 62.41% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 38.43% of the enlarged issued share capital of the Company (assuming there is no change in the issued share capital of the Company between the date of this announcement and the date of Subscription Completion save for the issuance of the Subscription Shares). The aggregate nominal value of the Subscription Shares is HK\$34,737,360.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the recent trading price and trading volume of the Shares, the net liabilities position of the Company in the last two financial years and the amount of interest accrued or to be accrued on the Promissory Notes which is agreed to be waived. The Subscription Price of HK\$0.31 per Subscription Share represents (i) a premium of approximately 8.77% over the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and (ii) a premium of approximately 6.90% over the average closing price of approximately HK\$0.29 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement.

SPECIFIC MANDATE

The Subscription Shares will be allotted and issued by the Company pursuant to the Specific Mandate sought to be granted to the Board at the EGM. Therefore, the allotment and issuance of the Subscription Shares by the Company is subject to the approval of the Independent Shareholders at the EGM.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one or more of the applicable percentage ratios in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules.

As at the date of this announcement, the Disposal Purchaser is ultimately wholly-owned by Mr. Cheng, the chairman, an executive Director and a controlling shareholder of the Company, and hence is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Disposal also constitutes a connected transaction on the part of the Company and is subject to, among others, the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As one or more of the applicable percentage ratios in respect of the Share Sale exceeds 25% but is less than 75%, the Share Sale constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules.

As at the date of this announcement, the Share Sale Purchaser is ultimately wholly-owned by Mr. Cheng, the chairman, an executive Director and a controlling shareholder of the Company, and hence is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Share Sale also constitutes a connected transaction on the part of the Company and is subject to, among others, the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Immediately upon Share Sale Completion, the Target Company will be wholly-owned by the Share Sale Purchaser which is ultimately wholly-owned by Mr. Cheng, the chairman, an executive Director and a controlling shareholder of the Company, and hence will be a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the entering into of the Master Service Agreement and the transactions contemplated thereunder will constitute continuing connected transactions on the part of the Company under Chapter 20 of the GEM Listing Rules.

As one or more of the applicable percentage ratios in respect of the Master Service Agreement is more than 5% and the annual consideration is expected to be more than HK\$10,000,000, the entering into of the Master Service Agreement and the transactions contemplated thereunder is subject to the reporting, announcement, annual review, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As at the date of this announcement, the Subscriber, which is owned as to 50% by Mr. Cheng, is the owner of approximately 47.05% of the issued share capital of the Company and a controlling shareholder of the Company, and hence is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Subscription also constitutes a connected transaction on the part of the Company and is subject to, among others, the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

IMPLICATIONS UNDER THE TAKEOVERS CODE

As at the date of this announcement, the Subscriber controls or is entitled to exercise control over the voting rights in respect of 654,677,040 Shares, representing approximately 47.05% of the entire issued share capital of the Company. Assuming there is no change in the issued share capital of the Company between the date of this announcement and the date of Subscription Completion save for the issuance of the Subscription Shares, immediately following Disposal Completion and Subscription Completion, the shareholding of the Subscriber will increase to approximately 67.40% of the then enlarged total issued share capital of the Company.

Accordingly, pursuant to Rule 26.1 of the Takeovers Code, the Subscriber will be required to make a mandatory general offer for all the issued Shares and the Outstanding Options not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it, unless the Whitewash Waiver has been obtained from the Executive.

Each of Disposal Completion and Subscription Completion is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders. An application will be made by the Subscriber to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted, will be subject to, among other things, the approval of the Independent Shareholders taken by way of a poll at the EGM. The resolution in relation to the Whitewash Waiver shall be approved by at least 75% of the independent vote that are cast either in person or by proxy by the Independent Shareholders at the EGM.

For the avoidance of doubt, each of the Share Sale Completion and the Master Service Agreement is not conditional upon the Whitewash Waiver being granted by the Executive or Disposal Completion and Subscription Completion.

In addition, since each of the Disposal, the Share Sale and the Master Service Agreement is an arrangement made between the Company, a party acting in concert with the Subscriber, and the Subscriber (which is a controlling shareholder of the Company), which is not capable of being extended to all Shareholders, each of the Disposal, the Share Sale and the Master Service Agreement constitutes a special deal under Rule 25 of the Takeovers Code and requires the consent of the Executive. An application will be made to the Executive for the consent to proceed with the Special Deals under Rule 25 of the Takeovers Code. Such consent, if granted, will be subject to (i) the Independent Financial Adviser publicly stating that in its opinion the terms of each of the Disposal, the Share Sale and the Master Service Agreement are fair and reasonable; and (ii) the approval of each of the Disposal, the Share Sale and the Master Service Agreement by the Independent Shareholders by way of poll at the EGM.

GENERAL

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chan Tin Lup, Trevor, Mr. Tou Kin Chuen and Mr. Jim Ka Shun, has been established to consider, and to advise the Independent Shareholders in relation to the Disposal, the Share Sale, the Master Service Agreement, the Subscription and the transactions contemplated respectively thereunder, the Special Deals and the Whitewash Waiver.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve by way of poll, among other matters, (i) the Disposal Agreement and the transactions contemplated thereunder; (ii) the Share Sale Agreement and the transactions contemplated thereunder; (iii) the Master Service Agreement and the transactions contemplated thereunder; (iv) the Subscription Agreement and the transactions contemplated thereunder; (v) the Special Deals; and (vi) the Whitewash Waiver.

A circular, containing, among other things, (i) details of the Disposal Agreement; (ii) details of the Share Sale Agreement; (iii) details of the Master Service Agreement; (iv) details of the Subscription Agreement; (v) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Disposal, the Share Sale, the Master Service Agreement, the Subscription, the Whitewash Waiver and the Special Deals; (vi) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal, the Share Sale, the Master Service Agreement, the Subscription, the Special Deals and the Whitewash Waiver; and (vii) a notice to convene the EGM, will be despatched to the Shareholders within 21 days from the date of this announcement in compliance with Rule 8.2 of the Takeovers Code.

The Disposal, the Share Sale, the Master Service Agreement and the Subscription are conditional upon the relevant conditions precedent being fulfilled (or waived, as the case may be) and may or may not proceed. In particular, the Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted by the Executive or is not approved by the Independent Shareholders by way of poll, the Disposal Agreement and the Subscription Agreement will lapse and the Disposal and the Subscription will not proceed. Accordingly, the Shareholders and prospective investors are reminded to exercise caution when trading in the securities of the Company.

If the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders, immediately upon issuance of the Subscription Shares, the shareholding of the Subscriber and parties acting in concert with it in the Company will exceed 50% of the voting rights of the Company. The Subscriber and parties acting in concert with it may increase their shareholding without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer for the securities of the Company.

INTRODUCTION

As disclosed in the annual reports of the Company for the year ended 31 March 2017 and 2018 respectively, the Company (i) had net liabilities and capital deficiency of approximately HK\$5.4 million as at 31 March 2017 and approximately HK\$73.2 million as at 31 March 2018 respectively; (ii) recorded net loss of approximately HK\$87.8 million for the year ended 31 March 2017 and approximately HK\$67.9 million for the year ended 31 March 2018 respectively; and (iii) recorded segment loss from its equine services segment of approximately HK\$80 million for the year ended 31 March 2017 and approximately HK\$43.9 million for the year ended 31 March 2018 respectively. As disclosed in the interim report of the Company for the six months ended 30 September 2018, the Company (i) had net liabilities of approximately HK\$101,583,000 as at 30 September 2018; (ii) recorded net loss of approximately HK\$50.9 million for the six months ended 30 September 2018; and (iii) recorded segment loss from its equine services segment of approximately HK\$39.2 million for the six months ended 30 September 2018.

As at the date of this announcement, the Group is indebted to the Subscriber and its associates in the amount of HK\$654,427,398.27, which comprises: (i) HK\$118,979,453.26 being the amount due under the Sun Finance Loan which is repayable on demand; (ii) HK\$128,695,259 being the principal amount of the Promissory Note 1 which will become due on 28 February 2019 (which has been extended to 31 March 2019 pursuant to the Extension Letter) and the outstanding interest accrued thereon up to 31 December 2018 in the amount of HK\$4,731,754.45; (iii) HK\$143,640,000 being the principal amount of the Promissory Note 2 which will become due on 31 January 2021 and the outstanding interest accrued thereon up to 31 December 2018 in the amount of HK\$9,127,954; (iv) HK\$219,240,000 being the principal amount of the Promissory Note 3 which will become due on 31 January 2021 and the outstanding interest accrued thereon up to 31 December 2018 in the amount of HK\$13,932,140.28; and (v) HK\$15,120,000 being the principal amount of the Promissory Note 4 which will become due on 31 January 2021 and the outstanding interest accrued thereon up to 31 December 2018 in the amount of HK\$960,837.28.

Without conducting any equity/debt fund raising activities by the Company, (i) the Company expects that it would not have sufficient financial resources to repay the Promissory Note 1 which will become due on 28 February 2019 (which has been extended to 31 March 2019 pursuant to the Extension Letter) and/or other indebtedness set out above; and (ii) as communicated with the auditor of the Company, if the net liabilities position of the Company continues to exist as at 31 March 2019, the audit qualification on material uncertainty related to the going concern cannot be fully mitigated in the next audited accounts of the Company for the year ending 31 March 2019 due to the net liabilities position of the Company. With a view to alleviate the aforementioned net liabilities position, net loss position and going concern issue, the Company had been in negotiation with Mr. Cheng and the Subscriber for a series of restructuring transactions.

On 14 February 2019 (after trading hours of the Stock Exchange), the Disposal Vendor, being a wholly-owned subsidiary of the Company, entered into the Disposal Agreement with the Disposal Purchaser, pursuant to which the Disposal Vendor has conditionally agreed to sell the Sale Interest and the Disposal Purchaser has conditionally agreed to acquire the Sale Interest at the Consideration of HK\$31,998,318. Pursuant to the Disposal Agreement, the Consideration shall be set off against part of the principal amount of the Promissory Note 4 and the outstanding interest accrued up to 31 December 2018 of the Promissory Note 2, the Promissory Note 3 and the Promissory Note 4 in the amount of HK\$31,998,318, which is equivalent to the outstanding amount of the Sale Loan and the outstanding interest accrued thereon as at 2 August 2018.

On 14 February 2019 (after trading hours of the Stock Exchange), the Share Sale Vendor, being a wholly-owned subsidiary of the Company, entered into the Share Sale Agreement with the Share Sale Purchaser, pursuant to which the Share Sale Vendor has conditionally agreed to sell the Sale Shares and the Share Sale Purchaser has conditionally agreed to acquire the Sale Shares at the Purchase Price.

Following Share Sale Completion, the Target Company, the Share Sale Purchaser, the Company, Cheng Family Investment Holdings and the PN Holder 2 shall enter into the Deed of Set-off, pursuant to which, among others, the whole amount of the Sun Kingdom Loan owed by the Target Company to the Company shall be set off against part of the principal amount of the Promissory Note 2 in the amount of HK\$81,447,212.13 (equivalent to approximately AUD14,440,995.06, being the amount of the Sun Kingdom Loan).

According to the terms of the Share Sale Agreement, upon Share Sale Completion, Sun Stud, being a wholly-owned subsidiary of the Company, and the Target Company will enter into the Master Service Agreement, pursuant to which the Sun Stud Group will agree to provide the Services to the Target Company and/or its Affiliates (including but not limited to Sun Bloodstock) for a term commencing from the Share Sale Completion Date and ending on 31 March 2021 (both days inclusive). It is expected that upon Share Sale Completion, all the horse racing related services will be provided by Sun Stud Group to the Target Company and/or its Affiliates (including but not limited to Sun Bloodstock) under the Master Service Agreement.

On 14 February 2019 (after trading hours of the Stock Exchange), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 868,434,000 Subscription Shares at the Subscription Price of HK\$0.31 per Subscription Share. Pursuant to the Subscription Agreement, the Subscription Monies shall be set off against (i) the entire principal amount of the Sun Finance Loan; (ii) the outstanding interest accrued up to 31 December 2018 of the Promissory Note 1; and (iii) the relevant principal amount of the Promissory Note 1, the Promissory Note 2 and the Promissory Note 4, in an aggregate amount equivalent to the Subscription Monies upon Subscription Completion.

THE DISPOSAL AGREEMENT

The principal terms of the Disposal Agreement are set out below:

- Date:** 14 February 2019 (after trading hours of the Stock Exchange)
- Parties:** (a) Sun Finance Company Limited, as the Disposal Vendor; and
(b) Imperium Credit Limited, as the Disposal Purchaser

The Disposal Vendor is a money lender licensed in Hong Kong and a wholly-owned subsidiary of the Company.

The Disposal Purchaser is a money lender licensed in Hong Kong and is ultimately wholly-owned by Mr. Cheng, the chairman, an executive Director and a controlling shareholder of the Company.

Assets to be disposed of

Pursuant to the Disposal Agreement, the Disposal Vendor has conditionally agreed to sell the Sale Interest and the Disposal Purchaser has conditionally agreed to acquire the Sale Interest.

The Sale Interest represents all the rights, title, benefits and interests of the Disposal Vendor to, in and under (i) the Loan Agreement (including but not limited to the Sale Loan and all the security created thereunder); and (ii) the Litigation.

As disclosed in the announcement of the Company dated 13 August 2018, the Disposal Vendor has commenced the Litigation by issuing a writ of summons against the Borrower for, among other things, the Sale Loan (including but not limited to the outstanding principal amount of HK\$30,000,000 and the outstanding interest accrued thereon of HK\$1,998,318 as at 2 August 2018, being the interest reference date referred to in the writ of summons commencing the Litigation).

As at the date of the Disposal Agreement, the book value of the Sale Loan amounted to HK\$32,145,989.

Consideration

The Consideration for the sale and purchase of the Sale Interest is HK\$31,998,318, which is equivalent to the outstanding principal amount of the Sale Loan and the outstanding interest accrued thereon as at 2 August 2018.

At Disposal Completion, the Disposal Vendor, the Disposal Purchaser, the Company, Chau's Holdings, Cheng Family Investment Holdings, the Subscriber and the PN Holders shall enter into the Deed of Consideration Settlement, pursuant to which, among others, the whole amount of the Consideration payable by the Disposal Purchaser shall be set off against part of the principal amount of the Promissory Note 4 in the amount of HK\$7,977,386.44, the outstanding interest accrued up to 31 December 2018 of the Promissory Note 2 in the amount of HK\$9,127,954, the outstanding interest accrued up to 31 December 2018 of the Promissory Note 3 in the amount of HK\$13,932,140.28 and the outstanding interest accrued up to 31 December 2018 of the Promissory Note 4 in the amount of HK\$960,837.28.

The amount of the Consideration, which is equivalent to the outstanding principal of HK\$30,000,000 and the outstanding interest accrued thereon of HK\$1,998,318 as at 2 August 2018, was arrived at after arm's length negotiations between the Disposal Purchaser and the Disposal Vendor having considered the following factors: (i) notwithstanding the commencement of the Litigation on 10 August 2018, the Borrower has not repaid the outstanding amount under the Loan Agreement to the Disposal Vendor as at the date of this announcement; (ii) the considerable amount of time and financial resources required to proceed with the Litigation and the uncertainties involved in the outcome of the Litigation; (iii) the ability of the Borrower to repay the loan and the outstanding interest accrued under the Loan Agreement is in doubt; and (iv) the amount of interest accrued or to be accrued on the Promissory Notes which is agreed to be waived.

Conditions precedent

Disposal Completion shall be subject to the following conditions being satisfied (or waived, if applicable):

- (a) the passing by the Independent Shareholders at the EGM of all necessary resolution(s) to approve the Disposal Agreement and the transactions contemplated thereunder and the Special Deal (Disposal) and all other consents and acts required under the GEM Listing Rules having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange;
- (b) the consent of the Executive in relation to the Disposal Agreement and the transactions contemplated thereunder as a "special deal" under Rule 25 of the Takeovers Code having been obtained and not revoked prior to Disposal Completion;
- (c) all the warranties provided by the Disposal Vendor under the Disposal Agreement remaining true and correct in all respects and not misleading;

- (d) all the warranties provided by the Disposal Purchaser under the Disposal Agreement remaining true and correct in all respects and not misleading; and
- (e) the Subscription Agreement having become unconditional in all respects in accordance with its terms (save for the condition that the Disposal Agreement having become unconditional).

The Disposal Purchaser may at its absolute discretion at any time waive in writing condition (c) set out above. The Disposal Vendor may at its absolute discretion at any time waive in writing condition (d) set out above. Neither the Disposal Purchaser nor the Disposal Vendor may waive the conditions (a), (b) and (e) set out above. If the conditions set out above have not been satisfied (or as the case may be, waived by the Disposal Purchaser or the Disposal Vendor) on or before 5:00 p.m. on 31 March 2019, or such later date as the Disposal Vendor and the Disposal Purchaser may agree in writing, the Disposal Agreement shall cease and determine and neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Disposal Completion

Disposal Completion shall take place contemporaneously with Subscription Completion at 5:00 p.m. within ten (10) Business Days after the fulfillment or waiver (as the case may be) of the conditions set out above (or such other date as shall be agreed in writing between the parties to the Disposal Agreement).

Upon Disposal Completion, the Company will cease to pursue the Litigation and the Disposal Purchaser may make an application to the High Court of Hong Kong to substitute the Disposal Vendor as the plaintiff in the Litigation.

Financial effect of the Disposal

Based on, among other things, the Consideration and the related expenses relating to the Disposal, a loss of HK\$157,671 is expected to be recorded for the Disposal, which is based on the difference between (i) the Consideration; and (ii) the book value of the Sale Loan and the amount of the related expenses. The amount is subject to review and confirmation by the Company's auditors.

The aforesaid estimation is for illustrative purpose only and does not purport to represent how the financial position of the Group will be after Disposal Completion.

As the Consideration payable by the Disposal Purchaser will be set off against part of the principal amount of the Promissory Note 4 and the outstanding interest accrued up to 31 December 2018 of the Promissory Note 2, the Promissory Note 3 and the Promissory Note 4, there will be no gross proceeds or net proceeds from the Disposal.

THE SHARE SALE AGREEMENT

The principal terms of the Share Sale Agreement are set out below:

- Date:** 14 February 2019 (after trading hours of the Stock Exchange)
- Parties:**
- (a) Sun Macro Limited, as the Share Sale Vendor;
 - (b) Prestige Summit Investments Limited, as the Share Sale Purchaser;
and
 - (c) Sun Kingdom Pty Ltd, as the Target Company

The Share Sale Vendor is a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company.

The Share Sale Purchaser is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding, the entire issued share capital of which is ultimately owned by Mr. Cheng, the chairman, an executive Director and a controlling shareholder of the Company.

The Target Company is a company incorporated in Australia with limited liability and a wholly-owned subsidiary of the Company.

Assets to be disposed of

Pursuant to the Share Sale Agreement, the Share Sale Vendor has conditionally agreed to sell the Sale Shares and the Share Sale Purchaser has conditionally agreed to acquire the Sale Shares.

The Sale Shares represent the entire issued share capital of the Target Company.

Purchase Price

The Share Sale Purchaser shall pay AUD1 at Share Sale Completion for the sale and purchase of the Sale Shares to the Share Sale Vendor as the completion payment. As soon as practicable following Share Sale Completion, a balance sheet of the Target Company (the “**Completion Balance Sheet**”) as at Share Sale Completion will be prepared. The actual purchase price (the “**Purchase Price**”) will be determined as follows:

- (a) if the net asset position of the Target Company as shown in the Completion Balance Sheet is a positive number, the Purchase Price for the Sale Shares will be an amount equal to the positive net asset position of the Target Company as shown in the Completion Balance Sheet and the difference between the Purchase Price and AUD1 paid shall be payable by the Share Sale Purchaser to the Share Sale Vendor within ten (10) Business Days after the Purchase Price is determined; or

- (b) if the net asset position of the Target Company as shown in the Completion Balance Sheet is zero or a negative number, the Purchase Price for the Sale Shares will be fixed at AUD1.

As at 31 December 2018, the Target Company has unaudited net liabilities of AUD1,009,031 (equivalent to approximately HK\$5,690,935). It is expected that the net liability position of the Target Company will continue as at Share Sale Completion and the Purchase Price will be AUD1.

As at the date of this announcement, the Target Company is indebted to the Company in the amount of AUD14,440,995.06 (equivalent to approximately HK\$81,447,212.13), being the Sun Kingdom Loan.

Following Share Sale Completion, the Target Company, the Share Sale Purchaser, the Company, Cheng Family Investment Holdings and the PN Holder 2 shall enter into the Deed of Set-off, pursuant to which, among others, the whole amount of the Sun Kingdom Loan owed by the Target Company to the Company shall be set off against part of the principal amount of the Promissory Note 2 in the amount of HK\$81,447,212.13 (equivalent to approximately AUD14,440,995.06, being the amount of the Sun Kingdom Loan).

The amount of the Purchase Price was arrived at after arm's length negotiations between the Share Sale Purchaser and the Share Sale Vendor having considered that (i) the unaudited net liabilities of the Target Company were approximately AUD1,009,031 (equivalent to approximately HK\$5,690,935) as at 31 December 2018 and the net liability position of the Target Company is expected to continue at Share Sale Completion; and (ii) the whole amount of the Sun Kingdom Loan will be set off against part of the principal amount of the Promissory Note 2 in the amount of HK\$81,447,212.13.

Conditions precedent

Share Sale Completion shall be subject to the following conditions being satisfied (or waived, if applicable):

- (a) the passing by the Independent Shareholders at the EGM of all necessary resolution(s) to approve each of (i) the Share Sale Agreement and the transactions contemplated thereunder; (ii) the Special Deal (Share Sale); (iii) the Master Service Agreement and the transactions contemplated thereunder; and (iv) the Special Deal (Master Service Agreement) and all other consents and acts required under the GEM Listing Rules having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange; and
- (b) the consent of the Executive in relation to each of (i) the Share Sale Agreement and the transactions contemplated thereunder, and (ii) the Master Service Agreement and the transactions contemplated thereunder, as "special deal" under Rule 25 of the Takeovers Code having been obtained and not revoked prior to Share Sale Completion.

Neither the Share Sale Purchaser nor the Share Sale Vendor may waive the conditions set out above. The Share Sale Vendor may terminate the Share Sale Agreement by notice in writing to the Share Sale Purchaser if the conditions set out above are not satisfied, or cannot be satisfied, on or before 30 June 2019.

Share Sale Completion

Share Sale Completion shall take place within five (5) Business Days after the satisfaction of the conditions set out above.

Upon Share Sale Completion, the Target Company will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the Company's consolidated financial statements.

For the avoidance of doubt, the Share Sale Completion is not conditional upon the Whitewash Waiver being granted by the Executive or Disposal Completion and Subscription Completion.

Financial effect of the Share Sale

Based on, among other things, the Purchase Price and the related expenses relating to the Share Sale, it is expected that the Group will not realise a gain or loss in the statement of profit or loss and other comprehensive income as a result of the Share Sale. As the Share Sale Purchaser is the controlling shareholder of the Company and the Purchase Price was negotiated with premium over the fair value of the assets and liabilities to be disposed of, the expected gain from the Share Sale in the estimated amount of HK\$5.7 million, which is arrived at after taking into consideration the expected Purchase Price in the amount of AUD1 (equivalent to approximately HK\$5.64) and the unaudited net liabilities of the Target Company as at 31 December 2018 in the amount of approximately AUD1,009,031 (equivalent to approximately HK\$5,690,935), will be directly recognised in the equity as deemed shareholder's contribution. The final amount of the gain is subject to Share Sale Completion and finalisation of the audit on the Share Sale.

The aforesaid estimation is for illustrative purpose only and does not purport to represent how the financial position of the Group will be after Share Sale Completion.

There will be no net proceeds from the Share Sale after deducting the related expenses.

Information on the Target Company

The Target Company is a company incorporated in Australia with limited liability, and is an indirect wholly-owned subsidiary of the Company immediately prior to Share Sale Completion. The Target Company is principally engaged in the provision of equine services including pre-training and trading of thoroughbred horses in Australia. The principal assets of the Target Company is the bloodstocks located in Australia as at the date of this announcement. As at the date of this announcement, save for Sun Stud, none of members of the Group (excluding the Target Company) is engaged in the provision of equine services.

The following table summarises the audited financial results of the Target Company (prepared in accordance with Australian Accounting Standards and Accounting Interpretation) for (i) the financial year ended 31 March 2017; and (ii) the financial year ended 31 March 2018 respectively.

	For the year ended 31 March	
	2017	2018
	(AUD)	(AUD)
Revenue and other income	6,064,111	12,588,349
Loss before taxation	5,504,683	2,478,392
Loss after taxation	5,504,683	2,478,392

As at 31 December 2018, the unaudited net liabilities of the Target Company were approximately AUD1,009,031 (equivalent to approximately HK\$5,690,935).

THE MASTER SERVICE AGREEMENT

Reference is made to the announcement of the Company dated 6 June 2017 in relation to the 2017 Master Service Agreement.

According to the terms of the Share Sale Agreement, upon Share Sale Completion, Sun Stud, being a wholly-owned subsidiary of the Company, and the Target Company will enter into the Master Service Agreement, pursuant to which the Sun Stud Group will agree to provide the Services to the Target Company and/or its Affiliates (including but not limited to Sun Bloodstock) for a term commencing from the Share Sale Completion Date and ending on 31 March 2021 (both days inclusive). It is expected that upon Share Sale Completion, all the horse racing related services will be provided by Sun Stud Group to the Target Company and/or its Affiliates (including but not limited to Sun Bloodstock) under the Master Service Agreement.

The principal terms of the Master Service Agreement are set out below:

- Date:** 14 February 2019 (after trading hours of the Stock Exchange)
- Parties:**
- (a) Sun Stud, as the service provider; and
 - (b) Sun Kingdom Pty Ltd, as the customer
- Subject matter:** Subject to the terms of Master Service Agreement, the Target Company agrees to engage Sun Stud or any member of the Sun Stud Group for the provision of horse racing related services, including but not limited to breeding, rearing, sales, agistment, spelling, education, administration, advice and training of horses to be provided by Sun Stud to the Target Company and/or its Affiliates (including but not limited to Sun Bloodstock) and/or such other services as shall be agreed by the parties thereto in writing from time to time.

For the avoidance of doubt, Sun Stud shall have the absolute discretion to determine whether to provide any Services and the Master Service Agreement shall not restrict or limit the Sun Stud Group to provide similar services to any third parties.

Pricing policy:

The actual fee to be paid by the Target Company and/or its Affiliates (including but not limited to Sun Bloodstock) and charged by Sun Stud shall be subject to further arm's length negotiations and shall be set out in the individual contracts to be entered into between Sun Stud or member(s) of the Sun Stud Group and the Target Company and/or its Affiliates (including but not limited to Sun Bloodstock), provided that such fee charged by the Sun Stud Group for the Services shall be at a reasonable commercial rate equivalent to (or more favourable to the Sun Stud Group than) the fees charged by Sun Stud when providing similar services to independent third parties.

Before determining the rate of the Services fees applied on the Target Company and its Affiliates and signing the individual contracts, the operation department of the Sun Stud Group will review the services fees rates of relevant comparable services provided to independent third parties, and ensure that the Services fees rate for the Target Company and its Affiliates will be commensurate with the services fees rate for independent third parties and no less favourable to the Sun Stud Group than those for services provided to independent third parties.

Term:

The term shall be commencing from the Share Sale Completion Date and ending on 31 March 2021 (both days inclusive) unless terminated in accordance with the Master Service Agreement.

Annual caps for the Master Service Agreement

The aggregate historical transaction amounts received by the Sun Stud Group from (i) Sun Bloodstock and/or its Affiliates under the 2017 Master Service Agreement and (ii) the Target Company in relation to the provision of horse racing related services for the twelve months ended 31 December 2018 were approximately AUD2,408,000 (equivalent to approximately HK\$13,581,000).

The proposed annual caps for the three years ending 31 March 2019, 31 March 2020 and 31 March 2021 for the Master Service Agreement (which includes the service fees paid under the 2017 Master Service Agreement) are set out below:

For the year ending 31 March		
2019 <i>(AUD)</i>	2020 <i>(AUD)</i>	2021 <i>(AUD)</i>
2,500,000	2,625,000	2,700,000

The proposed annual caps for the three years ending 31 March 2019, 31 March 2020 and 31 March 2021 for the Master Service Agreement are determined based on (i) the aggregate historical transaction amounts received by the Sun Stud Group from Sun Bloodstock and/or its Affiliates and the Target Company as set out above; (ii) the anticipated increased demand for the Services after the Share Sale Completion; and (iii) the anticipated fee scale for the Services during each of the three years ending 31 March 2019, 31 March 2020 and 31 March 2021.

Internal control

In order to ensure that the terms of the Master Service Agreement and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable to the Company and its Shareholders and that the Services fees are not less favourable to the Group than those available from independent third parties, upon Share Sale Completion, the Group will adopt the following measures:

- (i) the Company will assign the operation manager of the Company to supervise the continuing connected transactions and review and assess whether the continuing connected transactions contemplated under the Master Service Agreement are on normal commercial terms, fair and reasonable and conducted in accordance with the terms of the Master Service Agreement and will also regularly update the market price for the purpose of considering if the Services fees charged for a specific transaction are on normal commercial terms, fair and reasonable and in accordance with the aforesaid pricing policy;
- (ii) the operation manager of the Company will review all the Services fees rates and pricing of the continuing connected transactions under the Master Service Agreement in every six months to ensure that they are not less favourable to the Group than those available from the independent third parties;
- (iii) the Company's external auditors will conduct an annual review on the pricing and the annual cap of the continuing connected transactions under the Master Service Agreement;
- (iv) the Company's audit committee will review the analysis report and the improvement measures prepared by the management of the Company in relation to the continuing connected transactions under the Master Service Agreement; and

- (v) the independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions under the Master Service Agreement.

THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are set out below:

Date: 14 February 2019 (after trading hours of the Stock Exchange)

Parties: (a) Sun International Group Limited, as the issuer; and

(b) First Cheer Holdings Limited, as the Subscriber

The Subscriber is a company incorporated in the British Virgin Islands and is principally engaged in investment holding. As at the date of this announcement, the Subscriber is the owner of approximately 47.05% of the issued share capital of the Company and a controlling shareholder of the Company, and each of Mr. Chau and Mr. Cheng is a director and the owner of 50% of the issued share capital of the Subscriber. As at the date of this announcement, each of Mr. Chau and Mr. Cheng also owns 1,251,250 Outstanding Options and 1,251,250 Outstanding Options granted by the Company respectively.

Subscription Shares

Pursuant to the Subscription Agreement, the Subscriber will subscribe for and the Company will allot and issue a total of 868,434,000 Subscription Shares.

The Subscription Shares represents (i) approximately 62.41% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 38.43% of the enlarged issued share capital of the Company (assuming there is no change in the issued share capital of the Company between the date of this announcement and the date of Subscription Completion save for the issuance of the Subscription Shares). The aggregate nominal value of the Subscription Shares is HK\$34,737,360.

Subscription Price

The Subscription Price of HK\$0.31 per Subscription Share represents:

- (i) a premium of approximately 8.77% over the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and
- (ii) a premium of approximately 6.90% over the average closing price of approximately HK\$0.29 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement.

As disclosed in the annual report of the Company for the year ended 31 March 2018 and the interim report of the Company for the six months ended 30 September 2018, the Company had net liabilities of approximately HK\$73.2 million as at 31 March 2018 and net liabilities of approximately HK\$101.6 million as at 30 September 2018.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the recent trading price and trading volume of the Shares, the net liabilities position of the Company in the last two financial years and the amount of interest accrued or to be accrued on the Promissory Notes which is agreed to be waived.

The net Subscription Price, after deduction of relevant expenses, is approximately HK\$0.309 per Subscription Share.

Subscription Monies

The subscription monies (the "**Subscription Monies**") for the Subscription Shares is HK\$269,214,540.

At Subscription Completion, the Disposal Vendor, the Disposal Purchaser, the Company, Chau's Holdings, Cheng Family Investment Holdings, the Subscriber and the PN Holders shall enter into the Deed of Consideration Settlement, pursuant to which, among others, the whole amount of the Subscription Monies payable by the Subscriber shall be set off against (i) the entire principal amount of the Sun Finance Loan in the amount of HK\$118,979,453.26; (ii) all the outstanding interests accrued up to 31 December 2018 of the Promissory Note 1 in an aggregate amount of HK\$4,731,754.45; (iii) the entire principal amount of the Promissory Note 1 in the amount of HK\$128,695,259; (iv) part of the principal amount of the Promissory Note 2 in the amount of HK\$9,665,460.74; and (v) part of the principal amount of the Promissory Note 4 in the amount of HK\$7,142,613.56.

At Subscription Completion, the Company and the PN Holders shall enter into the Deed of Extension and Waiver, pursuant to which, among others, (i) each of the PN Holder 1 and the PN Holder 4 agrees to waive all the interest accrued and to be accrued on the Promissory Note 1 and Promissory Note 4 respectively from 1 January 2019 to the date of Subscription Completion; (ii) each of the PN Holder 2 and the PN Holder 3 agrees to extend the maturity date of the Promissory Note 2 and the Promissory Note 3 respectively from 31 January 2021 to 31 January 2023; and (iii) each of the PN Holder 2 and the PN Holder 3 agrees to waive all the interest accrued and to be accrued on the Promissory Note 2 and the Promissory Note 3 respectively from 1 January 2019 to 31 January 2023.

As the Subscription Monies payable by the Subscriber will be set off against the entire principal amount of the Sun Finance Loan, the relevant principal amount and the outstanding interest accrued up to 31 December 2018 of the Promissory Notes, there will be no gross proceeds or net proceeds from the Subscription.

It is expected upon Disposal Completion, Subscription Completion and Share Sale Completion, (i) the Promissory Note 1, Promissory Note 4 and the outstanding interest accrued on the Promissory Notes up to 31 December 2018 will be set off in full; (ii) the outstanding principal amount of the Promissory Note 2 will be reduced from HK\$143,640,000 to HK\$52,527,328.13; (iii) the outstanding principal amount of the Promissory Note 3 will remain at HK\$219,240,000; (iv) the interest accrued or to be accrued on the Promissory Note 1 and Promissory Note 4 from 1 January 2019 to the date of Subscription Completion will be waived by the PN Holder 1 and the PN Holder 4 respectively; (v) the maturity date of each of the Promissory Note 2 and Promissory Note 3 will be extended from 31 January 2021 to 31 January 2023; and (vi) the interest accrued or to be accrued on the Promissory Note 2 and the Promissory Note 3 from 1 January 2019 to 31 January 2023 will be waived by the PN Holder 2 and the PN Holder 3 respectively, which would reduce the Company's annual interest expenses of approximately HK\$19,024,000 during the term of the Promissory Note 2 and the Promissory Note 3 after Disposal Completion, Subscription Completion and Share Sale Completion.

For illustrative purpose only, without the proposed restructuring involving the Disposal, the Subscription and the Share Sale and assuming the maturity date of the Promissory Note 1 is extended, the annual interest expenses of the Company in relation to the Promissory Notes would amount to approximately HK\$29,034,000 during the term of the Promissory Notes.

Conditions of the Subscription

The obligations of the Company to allot and issue, and the Subscriber to subscribe for the Subscription Shares are subject to the following conditions precedent:

- (a) the Listing Division having granted (either unconditional or subject only to conditions to which the Subscriber does not reasonably object) listing of and permission to deal in, the Subscription Shares;
- (b) the passing by the Independent Shareholders at the EGM of all necessary resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder and all other consents and acts required under the GEM Listing Rules and the Takeovers Code (including but not limited to the allotment and issue of the Subscription Shares and the Whitewash Waiver) having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange and the SFC;
- (c) the warranties provided by the Company under the Subscription Agreement remaining true and correct in all material respects;
- (d) all necessary consents and approvals as may be required to be obtained on the part of the Company in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained;

- (e) all necessary consents and approvals as may be required to be obtained on the part of the Subscriber in respect of the Subscription Agreement and the transaction contemplated thereunder having been obtained;
- (f) the granting of the Whitewash Waiver by the Executive;
- (g) trading in the Shares on the Stock Exchange not being suspended: (i) for a period of more than five (5) consecutive trading days immediately preceding Subscription Completion; and (ii) on the date of Subscription Completion, excluding any suspension for the purposes of clearing any announcement and circular in relation to the Subscription and/or the Whitewash Waiver by the regulatory authorities; and
- (h) the Disposal Agreement having become unconditional in all respects in accordance with its terms (save for the condition that the Subscription Agreement having become unconditional).

As at the date of this announcement, save for the consents/approvals set out in the conditions (a), (b) and (f) above and the approval of the board of directors of the Company and the Subscriber in relation to the Subscription Agreement and the transactions contemplated thereunder, each of the Company and the Subscriber is not aware of any other consents and approvals required to be obtained on its part in respect of the Subscription Agreement and the transactions contemplated thereunder. As at the date of this announcement, the approval of the board of directors of the Company and the Subscriber in relation to the Subscription Agreement and the transactions contemplated thereunder have been obtained.

The Subscriber may at any time by notice in writing to the Company waive the conditions (c) and (g) set out above. The conditions (a), (b), (d), (e), (f) and (h) set out above are incapable of being waived by the Company and the Subscriber. In the event that any of the conditions set out above not being fulfilled or waived in full by 5:00 p.m. on 31 March 2019, or such later date as the Company and the Subscriber may agree in writing, the Subscription Agreement shall cease and determine and neither party shall have any obligations and liabilities thereunder save for any antecedent breaches of the provisions thereof.

Under the Takeovers Code, the resolution in relation to the Whitewash Waiver shall be approved by at least 75% of the independent vote that are cast either in person or by proxy by the Independent Shareholders at the EGM.

Subscription Completion

Subject to the conditions of the Subscription Agreement being fulfilled or, as the case may be, waived by the Subscriber, Subscription Completion shall take place contemporaneously with Disposal Completion.

Ranking of the Subscription Shares

The Subscription Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the Shares in issue on Subscription Completion.

Specific Mandate

The Subscription Shares will be allotted and issued by the Company pursuant to the Specific Mandate sought to be granted to the Board at the EGM. Therefore, the allotment and issuance of the Subscription Shares by the Company is subject to the approval of the Independent Shareholders at the EGM.

Application for listing

Application will be made by the Company to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Extension of the Promissory Note 1

Pursuant to the terms of the Subscription Agreement, in order to facilitate the Subscription, the Subscriber shall unconditionally procure the PN Holder 1 to extend the maturity date of the Promissory Note 1 from 28 February 2019 to 31 March 2019 as soon as practicable, and in any event, on or before 28 February 2019.

On 14 February 2019 (after trading hours of the Stock Exchange), the PN Holder 1 executed an extension letter (the “**Extension Letter**”), pursuant to which the maturity date of the Promissory Note 1 has been extended from 28 February 2019 to 31 March 2019.

CHANGE IN SHAREHOLDING STRUCTURE

The changes of the shareholding structure of the Company as a result of the Subscription (assuming there is no change in the issued share capital of the Company between the date of this announcement and the date of Subscription Completion save for the issuance of the Subscription Shares) are as follows:

Shareholders	As at the date of this announcement		Immediately upon Subscription Completion	
	Number of Shares	Approximate %	Number of Shares	Approximate %
the Subscriber and parties acting in concert with it (<i>Note</i>)	654,677,040	47.05	1,523,111,040	67.40
Public Shareholders	<u>736,722,960</u>	<u>52.95</u>	<u>736,722,960</u>	<u>32.60</u>
Total	<u><u>1,391,400,000</u></u>	<u><u>100.00</u></u>	<u><u>2,259,834,000</u></u>	<u><u>100.00</u></u>

Note: The Subscriber is beneficially owned as to 50% by Mr. Cheng and as to 50% by Mr. Chau. Accordingly, both Mr. Cheng and Mr. Chau are deemed under the SFO to be interested in the 654,677,040 shares beneficial owned by the Subscriber.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activity in the past 12 months immediately prior to the date of this announcement.

REASONS FOR AND BENEFITS OF THE DISPOSAL, THE SHARE SALE AND THE SUBSCRIPTION

The Company is an investment holding company. The Group is principally engaged in the provision of equity services, the provision of type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities under the SFO in Hong Kong, and the money lending business.

As disclosed above, the Litigation had been commenced by the Disposal Vendor against the Borrower for, among others, the Sale Loan, and the repayment ability of the Borrower is in doubt. In the event that the Company cannot recover the Sale Loan from the Borrower, the Board considers that a provision for impairment of loan receivables may be required to be made in the next audited accounts of the Company for the year ending 31 March 2019, which, in turn, may further worsen the net liabilities position of the Company and may aggravate the going concern issue. With a view to alleviate the net loss position and going concern issue of the Company, Mr. Cheng, being a controlling shareholder of the Company and the owner of the entire issued share capital of the Disposal Purchaser, is willing to acquire the Sale Interest through the Disposal Purchaser at the Consideration.

As disclosed above, the Company was in a net liabilities position and net loss position for the last two financial years and is indebted to the Subscriber and its associates in the amount of approximately HK\$654,427,000. Further, the Target Company was in a net loss position for the last two financial years. Without taking any measures to improve the financial conditions of and/or reduce the recurring operating costs of the Company, it is expected that net liabilities position, net loss position and the going concern issue will continue to exist for the next audited accounts of the Company for the year ending 31 March 2019.

With a view to alleviate the net liabilities position, net loss position and going concern issue of the Company, Mr. Cheng (together with his associate(s)), being a controlling shareholder of the Company and the owner of the entire issued share capital of the PN Holder 2 and the Share Sale Purchaser, is willing to acquire the Sale Shares through the Share Sale Purchaser at the Purchase Price and set off part of the principal amount of the Promissory Note 2 against the Sun Kingdom Loan.

With a view to alleviate the net liabilities position, net loss position and going concern issue of the Company, each of (a) Mr. Chau, being a controlling shareholder of the Company and the owner of the entire issued share capital of Chau's Holdings and 50% of the entire issued share capital of the PN Holder 1 and the Subscriber; and (b) Mr. Cheng (together with his associate(s)), being a controlling shareholder of the Company and the owner of the entire issued share capital of Cheng Family Investment Holdings, the PN Holder 2, the PN Holder 3 and the PN Holder 4, and the owner of 50% of the entire issued share capital of the PN Holder 1 and the Subscriber, is willing to (a) subscribe the Subscription Shares through the Subscriber at the Subscription Price by setting off against (i) the entire principal amount of the Sun Finance Loan; and (ii) the relevant principal amount and the outstanding interest accrued up to 31 December 2018 of the Promissory Notes; and (b) waive the interest accrued and to be accrued on the Promissory Notes from 1 January 2019 to the date of Subscription Completion or 31 January 2023 (as the case may be).

Upon Disposal Completion, Share Sale Completion and Subscription Completion, (i) the net liabilities position of the Company will be improved due to the offsetting of part of the principal amount and the outstanding interest accrued up to 31 December 2018 of the Promissory Notes and the entire principal amount of the Sun Finance Loan; (ii) the annual interest expenses of the Company in relation to the Promissory Notes will be reduced by approximately HK\$19,024,000 during the term of the Promissory Note 2 and the Promissory Note 3; (iii) the net loss position of the Company may be alleviated due to the reduction in the interest expenses for the Promissory Notes; and (iv) the going concern issue of the Company may be alleviated.

In view of the above, the Directors (other than Mr. Cheng who abstained from voting on the relevant resolutions at the Board meeting approving the Disposal Agreement, the Share Sale Agreement and the Subscription Agreement and the independent non-executive Directors whose views will be expressed after considering the advice from the Independent Financial Adviser) are of the opinion that the terms of the Disposal (including the Consideration), the Share Sale (including the Purchase Price) and the Subscription (including the Subscription Price) are fair and reasonable and are in the interests of the Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE MASTER SERVICE AGREEMENT

The Company is an investment holding company. The Group is principally engaged in the provision of equine services, the provision of type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities under the SFO in Hong Kong, and the money lending business.

The Directors (other than Mr. Cheng who abstained from voting on the relevant resolutions at the Board meeting approving the Master Service Agreement and the independent non-executive Directors whose views will be expressed after considering the advice from the Independent Financial Adviser) consider that the entering into of the Master Service Agreement allows the Sun Stud Group to foster its horse racing-related business in Australia and enhance the Group's revenue.

In view of the above, the Directors (other than Mr. Cheng who abstained from voting on the relevant resolutions at the Board meeting approving the Master Service Agreement and the independent non-executive Directors whose views will be expressed after considering the advice from the Independent Financial Adviser) are of the opinion that the terms of the Master Service Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one or more of the applicable percentage ratios in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules.

As at the date of this announcement, the Disposal Purchaser is ultimately wholly-owned by Mr. Cheng, the chairman, an executive Director and a controlling shareholder of the Company, and hence is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Disposal also constitutes a connected transaction on the part of the Company and is subject to, among others, the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As one or more of the applicable percentage ratios in respect of the Share Sale exceeds 25% but is less than 75%, the Share Sale constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules.

As at the date of this announcement, the Share Sale Purchaser is ultimately wholly-owned by Mr. Cheng, the chairman, an executive Director and a controlling shareholder of the Company, and hence is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Share Sale also constitutes a connected transaction on the part of the Company and is subject to, among others, the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Immediately upon Share Sale Completion, the Target Company will be wholly-owned by the Share Sale Purchaser which is ultimately wholly-owned by Mr. Cheng, the chairman, an executive Director and a controlling shareholder of the Company, and hence will be a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the entering into of the Master Service Agreement and the transactions contemplated thereunder will constitute continuing connected transactions on the part of the Company under Chapter 20 of the GEM Listing Rules.

As one or more of the applicable percentage ratios in respect of the Master Service Agreement is more than 5% and the annual consideration is expected to be more than HK\$10,000,000, the entering into of the Master Service Agreement and the transactions contemplated thereunder is subject to the reporting, announcement, annual review, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As at the date of this announcement, the Subscriber, which is owned as to 50% by Mr. Cheng, is the owner of approximately 47.05% of the issued share capital of the Company and a controlling shareholder of the Company, and hence is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Subscription also constitutes a connected transaction on the part of the Company and is subject to, among others, the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

IMPLICATIONS UNDER THE TAKEOVERS CODE

As at the date of this announcement, the Subscriber controls or is entitled to exercise control over the voting rights in respect of 654,677,040 Shares, representing approximately 47.05% of the entire issued share capital of the Company. Assuming there is no change in the issued share capital of the Company between the date of this announcement and the date of Subscription Completion save for the issuance of the Subscription Shares, immediately following Disposal Completion and Subscription Completion, the shareholding of the Subscriber will increase to approximately 67.40% of the then enlarged total issued share capital of the Company.

Accordingly, pursuant to Rule 26.1 of the Takeovers Code, the Subscriber will be required to make a mandatory general offer for all the issued Shares and the Outstanding Options not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it, unless the Whitewash Waiver has been obtained from the Executive.

Each of Disposal Completion and Subscription Completion is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders. An application will be made by the Subscriber to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted, will be subject to, among other things, the approval of the Independent Shareholders taken by way of a poll at the EGM. The resolution in relation to the Whitewash Waiver shall be approved by at least 75% of the independent vote that are cast either in person or by proxy by the Independent Shareholders at the EGM.

For the avoidance of doubt, each of the Share Sale Completion and the Master Service Agreement is not conditional upon the Whitewash Waiver being granted by the Executive or Disposal Completion and Subscription Completion.

As at the date of this announcement, the Company does not believe that the Subscription and the transactions contemplated thereunder give rise to any concerns in relation to compliance with other applicable rules or regulations (including the GEM Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the relevant whitewash circular. The Company notes that the Executive may not grant the Whitewash Waiver if the Subscription and the transactions contemplated thereunder does not comply with other applicable rules and regulations.

In addition, since each of the Disposal, the Share Sale and the Master Service Agreement is an arrangement made between the Company, a party acting in concert with the Subscriber, and the Subscriber (which is a controlling shareholder of the Company), which is not capable of being extended to all Shareholders, each of the Disposal, the Share Sale and the Master Service Agreement constitutes a special deal under Rule 25 of the Takeovers Code and requires the consent of the Executive. An application will be made to the Executive for the consent to proceed with the Special Deals under Rule 25 of the Takeovers Code. Such consent, if granted, will be subject to (i) the Independent Financial Adviser publicly stating that in its opinion the terms of each of the Disposal, the Share Sale and the Master Service Agreement are fair and reasonable; and (ii) the approval of each of the Disposal, the Share Sale and the Master Service Agreement by the Independent Shareholders by way of poll at the EGM.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

Save as disclosed in this announcement, as at the date of this announcement, neither the Subscriber nor any parties acting in concert with it:

- (a) has acquired or entered into any agreement or arrangement to acquire any voting rights in the Company within the six months prior to the date of this announcement;
- (b) owns, controls or has direction over any Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company;
- (c) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with any other persons in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or of the Disposal Vendor and which might be material to the transactions contemplated under the Disposal Agreement, the Subscription Agreement and/or the Whitewash Waiver;
- (d) has received any irrevocable commitment from any Independent Shareholders as to whether they will vote for or against the resolution approving the transactions contemplated under the Disposal Agreement, the Subscription Agreement and/or the Whitewash Waiver;

- (e) has any agreements or arrangements to which it is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Disposal Agreement, the Subscription Agreement or the Whitewash Waiver (including any such agreements or arrangements that would result in any break fees being payable); and
- (f) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

GENERAL

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chan Tin Lup, Trevor, Mr. Tou Kin Chuen and Mr. Jim Ka Shun, has been established to consider, and to advise the Independent Shareholders in relation to the Disposal, the Share Sale, the Master Service Agreement, the Subscription and the transactions contemplated respectively thereunder, the Special Deals and Whitewash Waiver.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve by way of poll, among other matters, (i) the Disposal Agreement and the transactions contemplated thereunder; (ii) the Share Sale Agreement and the transactions contemplated thereunder; (iii) the Master Service Agreement and the transactions contemplated thereunder; (iv) the Subscription Agreement and the transactions contemplated thereunder; (v) the Special Deals; and (vi) the Whitewash Waiver. As at the date of this announcement, the Subscriber, the issued share capital of which is owned as to 50% by Mr. Cheng, is interested in 654,677,040 Shares, representing approximately 47.06% of the total issued share capital of the Company. The Subscriber, not being an Independent Shareholder, will be required to abstain from voting for the resolution(s) in respect of the Disposal Agreement, the Share Sale Agreement, the Master Service Agreement, the Subscription Agreement and the transactions contemplated respectively thereunder, the Special Deals and the Whitewash Waiver at the EGM. As at the date of this announcement, none of the associates of and the parties acting in concert with the Subscriber and/or its associates owns any Shares.

A circular, containing, among other things, (i) details of the Disposal Agreement; (ii) details of the Share Sale Agreement; (iii) details of the Master Service Agreement; (iv) details of the Subscription Agreement; (v) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Disposal, the Share Sale, the Master Service Agreement, the Subscription, the Whitewash Waiver and the Special Deals; (vi) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal, the Share Sale, the Master Service Agreement, the Subscription, the Special Deals and the Whitewash Waiver; and (vii) a notice to convene the EGM, will be despatched to the Shareholders within 21 days from the date of this announcement in compliance with Rule 8.2 of the Takeovers Code.

The Disposal, the Share Sale, the Master Service Agreement and the Subscription are conditional upon the relevant conditions precedent being fulfilled (or waived, as the case may be) and may or may not proceed. In particular, the Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted by the Executive or is not approved by the Independent Shareholders by way of poll, the Disposal Agreement and the Subscription Agreement will lapse and the Disposal and the Subscription will not proceed. Accordingly, the Shareholders and prospective investors are reminded to exercise caution when trading in the securities of the Company.

If the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders, immediately upon issuance of the Subscription Shares, the shareholding of the Subscriber and parties acting in concert with it in the Company will exceed 50% of the voting rights of the Company. The Subscriber and parties acting in concert with it may increase their shareholding without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer for the securities of the Company.

DEFINITIONS

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

“2017 Master Service Agreement”	the agreement dated 6 June 2017 and entered into between Sun Stud and Sun Bloodstock in relation to the provision of horse racing related services in accordance with the terms and conditions thereof
“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Affiliate(s)”	any person(s), directly or indirectly, controlling, controlled by or under direct or indirect common control with another person
“associate(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Board”	the board of Directors
“Borrower”	the borrower under the Loan Agreement, being an individual and an Independent Third Party

“Business Day”	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 5:00 p.m. and is not lowered at or before 5:00 p.m. or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m. and is not discontinued at or before 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours or for the Share Sale Agreement, a day on which banks are open for business excluding Saturday, Sunday or public holiday in Victoria, Australia
“Chau’s Holdings”	Chau’s Holdings Company Limited, a company incorporated in the British Virgin Islands, the lender in the Chau’s Holdings Loan and the entire issued share capital of which is owned by Mr. Chau as at the date of this announcement
“Chau’s Holdings Loan”	such advances provided by Chau’s Holdings to the Disposal Vendor from time to time since 31 August 2017 and in the principal amount of HK\$59,493,476.63 as at the date of this announcement, including but not limited to interest free loan and dividend declared and not yet paid
“Cheng Family Investment Holdings”	Cheng Family Investment Holdings Company Limited, a company incorporated in British Virgin Islands, the lender in the Cheng Family Investment Holdings Loan and the entire issued share capital of which is owned by Mr. Cheng as at the date of this announcement
“Cheng Family Investment Holdings Loan”	such advances provided by Cheng Family Investment Holdings to the Disposal Vendor from time to time since 31 August 2017 and in the principal amount of HK\$59,485,976.63 as at the date of this announcement, including but not limited to interest free loan and dividend declared and not yet paid
“Company”	Sun International Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the GEM (Stock code: 8029)
“Concert Group”	the Subscriber and parties acting in concert with it
“connected person”	has the meaning ascribed to it in the GEM Listing Rules
“Consideration”	the total consideration to be satisfied by the Disposal Purchaser to the Disposal Vendor for the Disposal

“controlling shareholder”	has the meaning ascribed to it in the GEM Listing Rules
“Deed of Consideration Settlement”	the deed of consideration settlement in respect of the settlement of the Consideration and the Subscription Monies to be made among the Disposal Vendor, the Company, the Disposal Purchaser, Chau’s Holdings, Cheng Family Investment Holdings, the Subscriber and the PN Holders
“Deed of Extension and Waiver”	the deed of extension and waiver in respect of (i) the extension of the maturity date of the Promissory Note 2 and the Promissory Note 3 from 31 January 2021 to 31 January 2023; (ii) the waiver of the interest accrued and to be accrued on the Promissory Note 1 and the Promissory Note 4 from 1 January 2019 and up to the date of Subscription Completion; and (iii) the waiver of the interest accrued and to be accrued on the Promissory Note 2 and the Promissory Note 3 from 1 January 2019 to 31 January 2023 to be made among the Company and the PN Holders
“Deed of Set-off”	the deed of set-off in respect of, among others, the setting off of the Sun Kingdom Loan against part of the principal amount of the Promissory Note 2 to be made among the Target Company, Share Sale Purchaser, the Company, Cheng Family Investment Holdings and the PN Holder 2
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Sale Interest by the Disposal Vendor pursuant to the terms of the Disposal Agreement
“Disposal Agreement”	the agreement dated 14 February 2019 and entered into between the Disposal Vendor and the Disposal Purchaser in relation to the sale and purchase of the Sale Interest
“Disposal Completion”	completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement
“Disposal Purchaser”	Imperium Credit Limited, a licensed money lender in Hong Kong, the purchaser of the Disposal Agreement and the issued share capital of which is ultimately wholly-owned by Mr. Cheng
“Disposal Vendor”	Sun Finance Company Limited, a licensed money lender in Hong Kong, the vendor of the Disposal Agreement and a wholly-owned subsidiary of the Company

“EGM”	an extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve, among others, the Subscription Agreement, the Disposal Agreement, the Share Sale Agreement, the Master Service Agreement and the transactions contemplated respectively thereunder, the Special Deals and the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any delegate for the time being of the Executive Director
“Extension Letter”	has the meaning ascribed to it under the paragraph headed “Extension of the Promissory Note 1” in the section headed “The Subscription Agreement” of this announcement
“GEM”	the GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors formed to advise the Independent Shareholders in relation to the Disposal, the Share Sale, the Master Service Agreement, the Subscription and the transactions contemplated respectively thereunder, the Special Deals and the Whitewash Waiver
“Independent Financial Adviser”	Astrum Capital Management Limited, a licensed corporation permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Company after approval by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal, the Share Sale, the Master Service Agreement, the Subscription and the transactions contemplated respectively thereunder, the Special Deals and the Whitewash Waiver

“Independent Shareholders”	the shareholder(s) of the Company, to the extent applicable in respect of each resolution, who are not members of the Concert Group and not involved or interested in (other than solely as a Shareholder) the transactions contemplated under the Disposal Agreement, the Share Sale Agreement, the Master Service Agreement and the Subscription Agreement including the Disposal, the Share Sale, the provision of the Services under the Master Service Agreement, the Subscription, the Special Deals and/or the Whitewash Waiver and are not required to abstain from voting under the GEM Listing Rules and/or the Takeovers Code and therefore permitted to vote in respect of the resolution(s) to approve the Disposal, Share Sale, the provision of the Services under the Master Service Agreement, the Subscription, the Special Deals and the Whitewash Waiver at the EGM
“Litigation”	the litigation commenced by the Disposal Vendor against the Borrower for, among other things, the Sale Loan, further details of which are disclosed in the announcement of the Company dated 13 August 2018
“Loan Agreement”	the loan agreement dated 8 June 2017 and entered into between the Disposal Vendor and the Borrower in relation to the provision of the loan facility of HK\$30,000,000 by the Disposal Vendor to the Borrower for a fixed term of six (6) months from the date of drawdown, with six (6) months renewable can be allowed with the consent of the Disposal Vendor, at an interest rate of 28% per annum
“Master Service Agreement”	the master service agreement to be entered into between Sun Stud as the service provider and the Target Company as the customer in relation to the provision of the Services for a term commencing from the Share Sale Completion Date and ending on 31 March 2021
“Mr. Chau”	Mr. Chau Cheok Wa, a controlling shareholder of the Company
“Mr. Cheng”	Mr. Cheng Ting Kong, the chairman, an executive Director and a controlling shareholder of the Company
“Outstanding Options”	347,015,738 outstanding options entitled the holder thereof to subscribe for one Share at the relevant exercise price

“PN Holder 1”	Sun International Financial Group Limited, being the owner of the Promissory Note 1 and an associate of the Subscriber, the entire issued share capital of which is owned as to 50% by Ms. Yeung So Mui (being the spouse of Mr. Cheng) and as to 50% by Mr. Chau
“PN Holder 2”	Eminent Crest Holdings Limited, being the owner of the Promissory Note 2 and an associate of the Subscriber, the entire issued share capital of which is wholly-owned by Mr. Cheng
“PN Holder 3”	Peak Stand Holdings Limited, being the owner of the Promissory Note 3 and an associate of the Subscriber, the entire issued share capital of which is wholly-owned by Mr. Cheng
“PN Holder 4”	Sheen Light Holdings Limited, being the owner of the Promissory Note 4 and an associate of the Subscriber, the entire issued share capital of which is wholly-owned by Mr. Cheng
“PN Holder(s)”	together, the PN Holder 1, the PN Holder 2, the PN Holder 3 and the PN Holder 4, and where the context requires, can mean either one of them
“Promissory Note 1”	the three-year 2% coupon promissory note issued by the Company to the PN Holder 1 on 29 February 2016 in the principal amount of HK\$128,695,259
“Promissory Note 2”	the three-year 7% coupon promissory note issued by the Company to the PN Holder 2 on 31 January 2018 in the principal amount of HK\$143,640,000
“Promissory Note 3”	the three-year 7% coupon promissory note issued by the Company to PN Holder 3 on 31 January 2018 in the principal amount of HK\$219,240,000
“Promissory Note 4”	the three-year 7% coupon promissory note issued by the Company to the PN Holder 4 on 31 January 2018 in the principal amount of HK\$15,120,000
“Promissory Note(s)”	together, the Promissory Note 1, the Promissory Note 2, the Promissory Note 3 and the Promissory Note 4, and where the context requires, can mean either one of them
“Purchase Price”	has the meaning ascribed to it under the paragraph headed “Purchase Price” in the section headed “The Share Sale Agreement” of this announcement

“Sale Interest”	all the rights, title, benefits and interests of the Disposal Vendor to, in and under the Loan Agreement (including but not limited to the Sale Loan and all the security created thereunder) and the Litigation upon the terms and conditions set out in the Disposal Agreement
“Sale Loan”	all loans, obligations, liabilities and debts owing or incurred by the Borrower to the Disposal Vendor from time to time under the Loan Agreement including but not limited to the outstanding principal of HK\$30,000,000 and the outstanding interest accrued thereon which was HK\$1,998,318 as at 2 August 2018
“Sale Shares”	100 issued shares of the Target Company, being the entire issued share capital of the Target Company
“Services”	horse racing related services including but not limited to breeding, rearing, sales, agistment, spelling, education, administration, advice and training of horses to be provided by Sun Stud or any member of the Sun Stud Group to the Target Company or its Affiliates and/or such other services as shall be agreed by the parties to the Master Service Agreement in writing from time to time
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	ordinary share(s) of HK\$0.04 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Share Sale”	the proposed disposal of the Sale Shares by the Share Sale Vendor to the Share Sale Purchaser pursuant to the terms of the Share Sale Agreement
“Share Sale Agreement”	the share sale agreement dated 14 February 2019 and entered into among the Share Sale Purchaser, the Share Sale Vendor and the Target Company in relation to the sale and purchase of the Sale Shares
“Share Sale Completion”	completion of the Share Sale in accordance with the terms and conditions of the Share Sale Agreement

“Share Sale Completion Date”	the date on which Share Sale Completion takes place
“Share Sale Purchaser”	Prestige Summit Investments Limited, a company incorporated in the British Virgin Islands with limited liability and the purchaser of the Share Sale Agreement, the issued share capital of which is ultimately wholly-owned by Mr. Cheng
“Share Sale Vendor”	Sun Macro Limited, a company incorporated in the British Virgin Islands with limited liability, the vendor of the Share Sale Agreement, and a wholly-owned subsidiary of the Company
“Special Deal (Disposal)”	the Disposal Agreement and the transactions contemplated thereunder
“Special Deal (Master Service Agreement)”	the Master Service Agreement and the transactions contemplated thereunder
“Special Deal (Share Sale)”	the Share Sale Agreement and the transactions contemplated thereunder
“Special Deals”	together, the Special Deal (Disposal), the Special Deal (Master Service Agreement) and the Special Deal (Share Sale), and where the context requires, can mean either one of them
“Specific Mandate”	a specific mandate to be granted to the Board in relation to the allotment and issue of the Subscription Shares to be approved by the Independent Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	First Cheer Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, the subscriber of the Subscription Agreement and interested in approximately 47.05% of the issued share capital of the Company as at the date of this announcement, the entire issued share capital of which is owned as to 50% by Mr. Cheng and as to 50% by Mr. Chau
“Subscription”	the subscription by the Subscriber for and the allotment and issue by the Company of, the Subscription Shares under the terms and subject to the conditions of the Subscription Agreement
“Subscription Agreement”	the agreement dated 14 February 2019 and entered into between the Company and the Subscriber in relation to the Subscription

“Subscription Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“Subscription Monies”	has the meaning ascribed to it under the paragraph headed “Subscription Monies” in the section headed “The Subscription Agreement” of this announcement
“Subscription Price”	subscription price of HK\$0.31 per Subscription Share
“Subscription Shares”	a total of 868,434,000 Shares, for which the Subscriber will subscribe and the Company will allot and issue under the Subscription upon the terms and subject to the conditions of the Subscription Agreement
“Sun Bloodstock”	Sun Bloodstock Pty Limited, a company incorporated in Australia with limited liability and is ultimately wholly-owned by Mr. Cheng
“Sun Finance Loan”	together, the Cheng Family Investment Holdings Loan and the Chau’s Holdings Loan, and where the context requires, can mean either one of them
“Sun Kingdom Loan”	an interest free loan owing or incurred by the Target Company to the Company in the principal amount of AUD14,440,995.06 (equivalent to approximately HK\$81,447,212.13)
“Sun Stud”	Sun Stud Pty Limited (formerly known as Eliza Park International Pty Limited), a company incorporated in Australia with limited liability and a wholly-owned subsidiary of the Company
“Sun Stud Group”	Sun Stud and its subsidiaries
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Target Company”	Sun Kingdom Pty Ltd, a company incorporated in Australia with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement

“Whitewash Waiver”	the whitewash waiver as may be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligations on the Subscriber to make a mandatory general offer for all the issued shares of the Company and the Outstanding Options other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with it as a result of the Company allotting and issuing 868,434,000 Subscription Shares pursuant to this Agreement
“AUD”	Australian dollar, the lawful currency of Australia
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

In this announcement, the HK\$ amounts have been converted from AUD amounts at the rate of AUD1.00 to HK\$5.64. Such conversions are for the convenience of the readers only. No representation is made that the AUD amounts have been, could have been or could be, converted into HK\$, or vice versa, at such rate or at any other rates on any relevant dates.

By Order of the Board
Sun International Group Limited
Cheng Ting Kong
Chairman

Hong Kong, 14 February 2019

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Cheng Ting Kong, Ms. Cheng Mei Ching and Mr. Lui Man Wah and three independent non-executive Directors, namely, Mr. Chan Tin Lup, Trevor, Mr. Tou Kin Chuen and Mr. Jim Ka Shun.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than those relating to the Disposal Purchaser, the Share Sale Purchaser and the Subscriber) and confirm having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the respective directors of the Disposal Purchaser, the Share Sale Purchaser and the Subscriber) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The directors of the Disposal Purchaser, namely, Ms. To Hoi Man and the spouse of Mr. Cheng, Ms. Yeung So Mui, and Mr. Cheng jointly and severally accept full responsibility for the accuracy of the information relating to the Disposal Purchaser contained in this announcement and confirms, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed by the directors of the Disposal Purchaser in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The directors of the Share Sale Purchaser, namely, Mr. Cheng and his spouse, Ms. Yeung So Mui, jointly and severally accept full responsibility for the accuracy of the information relating to the Share Sale Purchaser contained in this announcement and confirms, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed by the directors of the Share Sale Purchaser in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The directors of the Subscriber, namely Mr. Cheng and Mr. Chau, jointly and severally accept full responsibility for the accuracy of the information relating to the Subscriber contained in this announcement and confirms, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed by the directors of the Subscriber in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of posting and on the designed website of this Company at <http://www.sun8029.com/>.