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SUNCITY GROUP HOLDINGS LIMITED

太陽城集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1383)

VOLUNTARY ANNOUNCEMENT PROVISION OF EXCLUSIVE MANAGEMENT SERVICES IN RELATION TO AN INTEGRATED RESORT PROJECT IN VIETNAM

The Board is pleased to announce that on 13 May 2019, SGMC (Hoi An) and the Owner entered into the Agreement in relation to the provision of management services to the Casino and the food and beverages facilities of the Project by SCMC (Hoi An) on an exclusive basis.

This announcement is made by the Company on a voluntary basis to keep its shareholders and potential investors informed of the latest business development of the Group.

BACKGROUND

Reference is made to (1) the announcement of the Company dated 22 June 2017 in relation to the entering into a memorandum of understanding in relation to the proposed provision of consultancy and management services by SGMC (Hoi An), a wholly-owned subsidiary of the Company, to an integrated resort project in Vietnam; (2) the announcement of the Company dated 13 February 2018 in relation to the provision of technical and pre-opening services in relation to the Casino; and (3) the announcement of the Company dated 28 August 2018 in relation to completion of the acquisition of Star Admiral Limited, which holds 50% of the issued share capital of Gold Yield Enterprises Limited, which in turn is interested in approximately 68% of the issued share capital of the Owner.

THE AGREEMENT

The Board is pleased to announce that on 13 May 2019, SGMC (Hoi An) and the Owner entered into the Agreement in relation to the provision of management services to the Casino and the food and beverages facilities (“**F&B Facilities**”) of the Project by SCMC (Hoi An) on an exclusive basis.

The principal terms of the Agreement are set out below.

SUBJECT MATTER

The Owner has granted to SGMC (Hoi An) from the Anticipated Opening Date the exclusive right for the Operating Term and the Extended Term to manage and operate the Casino and the F&B Facilities.

The authority granted to SGMC (Hoi An) includes, among other things, (i) establishing the rates for the gaming and other facilities (including the F&B Facilities) at the Casino and the policies and procedures for the operation thereof; (ii) managing the revenue from the operation of the Casino and issuing invoices and collecting fees from customers or operators; (iii) purchasing or renting facilities required for the operation of the Casino; (iv) performing all ordinary maintenance and repair and all such capital improvements at the expenses of the Owner; (v) preparation of the budget on the anticipated revenue, expenses and proposed expenditures for the forthcoming fiscal year and delivering the same to the Owner for approval; and (vi) hiring the operating personnel of the Casino.

THE OPERATING TERM

The term for the Agreement will commence on the day on which the Casino is open for business and end on 31 December of the tenth year immediately following the year in which the opening date falls (the “**Operating Term**”) and will be automatically extended for a further ten years (the “**Extended Term**”) unless either party to the Agreement notifies the other party of its intention to not extend the term.

FEES

(A) Service fee in respect of the Casino

The service fee for managing the operation of the Casino is the sum of (1) the base management fee and (2) the incentive fee. The incentive fee is an annual fee equal to 6% of Gaming EBITDA. The base management fee is a quarterly fee payable equal to the aggregate of:

- (i) 3% of Mass GGR, net of VAT, for the relevant fiscal quarter; and
- (ii) where the Monthly Average VIP Rolling Turnover for the relevant fiscal quarter is:
 - (a) equal to or less than HK\$6,000 million, 1% of VIP GGR, net of VAT, for the relevant fiscal quarter;
 - (b) greater than HK\$6,000 million but equal to or less than HK\$10,000 million, 1.5% of VIP GGR, net of VAT, for the relevant fiscal quarter;
 - (c) greater than HK\$10,000 million but equal to or less than HK\$15,000 million, 2% of VIP GGR, net of VAT, for the relevant fiscal quarter; and
 - (d) greater than HK\$15,000 million, 3% of VIP GGR, net of VAT, for the relevant fiscal quarter;

(B) Management fee in respect of the F&B Facilities

The management fee for managing the F&B Facilities is the sum of (1) an annual management fee equal to 3% of the gross F&B revenue for the relevant fiscal year; and (2) an annual incentive fee equal to 6% of F&B EBITDA for the relevant fiscal year.

INFORMATION OF THE PARTIES

(1) The Group and SGMC (Hoi An)

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

SGMC (Hoi An) is incorporated in Macau with limited liability and is a wholly-owned subsidiary of the Company. It is principally engaged in the provision of management, consultancy, advisory and support services to entertainment facilities of overseas integrated resorts.

(2) The Owner

The Owner is a company incorporated in Vietnam with limited liability. Its principal business is real estate, provision of short-term hotel services, tourism agency operation and conducting business activities in prize winning games.

As at the date of the Agreement, the Owner is owned as to approximately 68% by Gold Yield Enterprises Limited, and Gold Yield Enterprises Limited is owned as to 50% by Star Admiral Limited, which is a wholly-owned subsidiary of the Company. The Owner is an associated company of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the other shareholders of the Owner and their respective ultimate beneficial owners are third parties independent of the Company and not connected persons of the Company.

INFORMATION OF THE PROJECT

The Project is an integrated resort development project located in Hoi An, Quang Nam Province, Vietnam, comprising tourism areas, an integrated resort and residential areas. As stipulated in the investment registration certificate dated 2 August 2016, the Project will cover a site of 985.5 hectares and will be developed over a span of 13 years.

As at the date of this announcement, phases 1 development is expected to be completed by the fourth quarter of 2019.

Phase 1 development includes the building of an integrated resort complex with entertainment and retail facilities which consists of the Casino with a total of 140 gaming tables and over 300 slot machines, F&B Facilities, a golf course and over 1,000 hotel rooms.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

As one of the principal activities of the Group is the provision of hotel and integrated resort management and consultancy services, the Directors believe that the entering into of the Agreement will allow the Group to expand its customer base to Vietnam and at the same time enable the Group to leverage on the Boards' expertise in the gaming market.

Having considered the above, the board of the Company considers the entering into of the Agreement is in the ordinary and usual course of business of the Group and the terms are based on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

OTHER INFORMATION

The Company has received confirmations from professional advisors that the services to be provided by the Group under the Agreement will not be unlawful under the Gambling Ordinance (Cap. 148 of the Laws of Hong Kong) or the laws of Vietnam in which the services will be provided.

The types of gambling activities involved by the Project, the applicable regulatory and licensing requirements of the Project and the specific risks in relation to the operation of such activities have been set out in the paragraphs headed “Types of gaming activities involved”, “Applicable regulatory or licensing requirements in relation in Vietnam and Hong Kong” and “Risks relating to the business and operations of the ProjectCo” in the letter from the Board of circular of the Company dated 1 November 2017. In addition, the Company understands that the current applicable regulatory and licensing requirements, government policies that regulate the gambling activities, and relevant anti-money laundering (“AML”) laws (the “**Applicable Laws**”) together with how the Applicable Laws are administered and enforced are set out as follows.

The following are the applicable gaming laws of Vietnam.

- (i) Decree No. 03/2017/ND-CP of the Government of Vietnam on casino business, dated 16 January 2017, as amended by Decree No. 151/2018/ND-CP of the Government of Vietnam, dated 17 January 2018.
- (ii) Decree No. 86/2013/ND-CP of the Government of Vietnam on the business of prize-winning electronic games, dated 29 July 2013, as amended by Decree No. 175/2016/ND-CP of the Government of Vietnam dated 30 December 2016.
- (iii) Decree No. 96/2016/ND-CP of the Government of Vietnam providing for security and order conditions for a number of conditional business sectors, dated 1 July 2016.
- (iv) Circular No. 102/2017/TT-BTC of the Ministry of Finance, dated 5 October 2017, guiding the implementation of a number of articles of Decree 03/2017/ND-CP on casino business.
- (v) Circular No. 103/2014/TT-BTC of the Ministry of Finance, dated 6 August 2014, on foreign contractor tax.
- (vi) Circular No. 146/2017/TT-BTC of the Ministry of Finance, dated 29 December 2017, setting out guidance for the management and supervision of tax collection in relation to casino business.

(vii) Circular No. 42/2017/TT-BCA of the Ministry of Public Security, dated 20 October 2017, providing guidance for the implementation of a number of articles of Decree 96/2016.ND-CP.

(viii) Circular No. 10/2017/TT-NHNN of the State Bank of Vietnam, dated 30 August 2017, providing guidance for foreign exchange management for casino business.

(collectively, the “**Applicable Gaming Laws**”)

The following are the applicable AML laws of Vietnam.

(i) Law No. 07/2012/QH13 on Anti-Money-Laundering, passed by the National Assembly of Vietnam on 18 June 2012.

(ii) Decree No. 116/2013/ND-CP of the Government of Vietnam on the implementation of the Law on Anti-Money Laundering, dated 4 October 2013.

(iii) Circular No. 35/2013/TT-NHNN of the State Bank of Vietnam, dated 31 December 2013 providing detailed implementation of regulations on anti-money laundering, as amended by Circular No. 31/2014/TT-NHNN of the State Bank of Vietnam dated 11 November 2014.

(collectively, the “**Applicable AML Laws**”)

In relation to the Applicable Gaming Laws, the key Vietnamese State authorities being primarily responsible for administration are: (i) the offices of the Prime Minister and the Government, being ultimately empowered to approve the issuance of investment approvals in the gaming sector; (ii) the relevant provincial or municipal People’s Committees and Departments of Planning and Investment, being empowered to issue and amend Investment Registration Certificates and Enterprise Registration Certificates in respect of gaming operator companies; (iii) the Ministry of Finance, being empowered to issue the key casino operating licences required by gaming operator companies; (iv) the General Department of Taxation and the relevant provincial or municipal Department of Taxation, being directly responsible for tax administration in Vietnam; (v) the State Bank of Vietnam, being directly responsible for the issuance of the special foreign exchange licences required by gaming operator companies and for banking and foreign exchange control in Vietnam; and (vi) the Ministry of Public Security, being responsible for all aspects of public security in Vietnam including in relation to certain conditional business sectors such as gaming, as well as ultimately overseeing all policing activities in Vietnam (including the various provincial and municipal economic police divisions).

In relation to the Applicable AML Laws, the key Vietnamese State authorities responsible for administration are: (i) the Ministry of Finance, which is directly responsible for combating money laundering activities in fields of insurance, securities, and gaming; (ii) the State Bank of Vietnam, which is directly responsible for combating money laundering activities in and in connection with Vietnam generally; and (iii) the Ministry of Public Security, being responsible for all aspects of public security in Vietnam including in relation to certain conditional business sectors such as gaming, as well as ultimately overseeing all policing activities in Vietnam (including the various provincial and municipal economic police divisions).

In relation to enforcement, most central Government authorities (such as the Office of the Government, central Ministries, the State Bank of Vietnam, or the General Department of Taxation) maintain their own internal investigation divisions, which are empowered to investigate contraventions of the laws which those central Government authorities administer. In particular, the Ministry of Finance takes a proactive role in monitoring and inspecting the operational activities of gaming operators in Vietnam. The State Bank of Vietnam takes a proactive role in monitoring and inspecting suspicious monetary transactions, from an anti-money-laundering perspective. At provincial or municipal level, investigation, inspection, and enforcement activities are normally undertaken by investigations departments of the relevant provincial or municipal People's Committee or their relevant departments, such as the relevant provincial or municipal: (i) Department of Finance; (ii) Department of Taxation; (iii) Department of Public Security; (iv) Department of Police (economic division); or (v) branch of the State Bank of Vietnam. The People's Courts and Procuracies at central, provincial, or municipal level also play a key role in imposing criminal or administrative sanctions on people or entities who contravene the Applicable Laws, particularly where criminal offences are involved.

As at the date of this announcement, the Casino has yet to commence operations. The Owner is currently in the process of applying for the Certificate of Satisfaction of Conditions for Casino Business (the "**Certificate**") from the Ministry of Finance of Vietnam. The proposed internal control measures of the Group are set out in the announcement of the Company dated 26 October 2018. As part of the application for the Certificate, the Owner is preparing a set of policies to demonstrate and to ensure compliance with the applicable AML laws. The Owner is working with one of the Big 4 firms to report on whether the proposed AML policies of the Owner will adequately address the relevant requirements. The Company has received confirmations from independent professional advisors that the services to be provided comply with the Applicable Laws.

Shareholders and potential investors are reminded that should the operation of the gambling activities at the Casino (i) fail to comply with the applicable laws in Vietnam where such activities take place; and/or (ii) contravene the Gambling Ordinance (Cap. 148), the Company may be considered unsuitable for listing under Rule 8.04 of the Listing Rules. Depending on the circumstances of the case, the Stock Exchange may direct the Company to take remedial action, suspend dealings in, or may cancel the listing of, its securities pursuant to Rule 6.01 of the Listing Rules.

DEFINITIONS

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

“Agreement”	the agreement dated 13 May 2019 entered into between SGMC (Hoi An) and the Owner in relation to the provision of management services by SGMC (Hoi On) to the Owner in respect of the Project
“Casino”	the casino to be developed under the Project including gaming areas, food and beverage outlets, back-of-house areas and other facilities
“Company”	Suncity Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 1383)
“Director(s)”	the director(s) of the Company
“Extended Term”	has the meaning ascribed to it under the section headed “Operating term” of the announcement
“F&B EBITDA”	the gross revenue derived from food and beverages services for the relevant fiscal year less the operating expenses arising from the provision of food and beverages services for the relevant fiscal year
“F&B Facilities”	has the meaning ascribed to it under the section headed “the Agreement” of the announcement

“Gaming EBITDA”	the gross gaming revenue derived at the Casino less the gaming operating expenses for the relevant fiscal year. The gaming operating expenses are all costs and expenses attributable to the conduct, supervision and operation of the Casino, including, among other things, gaming taxes, the base management fee pursuant to the Agreement, any shared services charges, all expenses for maintenance and repair of the Casino, costs for utilities consumed at the Casino, personnel costs, marketing and promotional expenses in relation to the Casino, cost of food and beverages sold or consumed (including complimentaries) in relation to the gaming operations at the Casino, but excluding certain expenses, including, among other things, gaming equipment reserves, taxes (other than betting duty); insurance fees, interest, depreciation and amortisation, fees and costs for professional services, any expenditures for capital improvements as set out under the Agreement
“GGR”	the total win generated by all Casino gaming activities combined, calculated before deduction of commissions and expenses
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Mass GGR”	GGR less VIP GGR
“Monthly Average VIP Rolling Turnover”	the average monthly VIP GGR rolling chip turnover, net of non-negotiable chip turnover (non-negotiable chips issued less non-negotiable chips redeemed)
“Operating Term”	has the meaning ascribed to it under the section headed “The Operating term” of the announcement
“Owner”	Hoi An South Development Ltd, a company incorporated in Vietnam
“PRC”	the People’s Republic of China

“Project”	an integrated resort project currently being developed in Quang Nam Province, Vietnam
“SGMC (Hoi An)”	Suncity Group Management And Consultancy (Hoi An) Limited, an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VAT”	value added tax
“VIP GGR”	all GGR derived from VIP guests at the Casino including guests participating in gaming on credit terms agreed with the Casino, through a junket or otherwise, or using rolling chips
“Vietnam”	the Socialist Republic of Vietnam
“%”	per cent.

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

Hong Kong, 13 May 2019

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