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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)**

### **MAJOR AND CONNECTED TRANSACTION:**

#### **LEASE AGREEMENT**

As disclosed in “Share Subscription by the Purchaser – Conditions Subsequent – (6)” in the 1029 Announcement, the signing of the Lease Agreement, being part of the Main Hotel Casino Agreement, is a Condition Subsequent to the Shares Subscription Agreement. As disclosed in “Project Site Payment – Conditions Precedent” in the 1125 Announcement, the signing of the Lease Agreement is a condition precedent to the Project Site Payment. The Lease Agreement has been entered into with the date, parties and principal terms and conditions of which set out in this announcement.

The Lease Agreement is subject to announcement and Shareholders’ approval requirements under Chapter 14. The Lease Agreement is subject to reporting and announcement requirements but is exempt from the circular, independent financial adviser and independent Shareholders’ approval under Chapter 14A pursuant to Rule 14A.101.

Application will be made by the Company to the Stock Exchange for a waiver to dispatch the circular of the Company on, among others, the Lease Agreement, within 15 business days as that required under Rule 14.41(a) to on or before 27 March 2020. If the waiver is granted, the Lease Agreement will be approved by way of written approval of the Controlling Shareholder. Otherwise, the Lease Agreement will have to be approved by way of Shareholders’ approval at a general meeting of the Company.

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

## **THE LEASE AGREEMENT**

As disclosed in “Share Subscription by the Purchaser – Conditions Subsequent – (6)” in the 1029 Announcement, the signing of the Lease Agreement, being part of the Main Hotel Casino Agreement, is a Condition Subsequent to the Shares Subscription Agreement. As disclosed in “Project Site Payment – Conditions Precedent” in the 1125 Announcement, the signing of the Lease Agreement is a condition precedent to the Project Site Payment.

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

**Date of the Lease Agreement** : 21 February 2020.

**Lessor** : Travellers and Westside.

Each of Travellers and Westside is an associate of Megaworld and a connected person of the Company at the subsidiary level as described in “Information of the Lessor ” below in this announcement.

**Lessee** : SunTrust, a 51% owned subsidiary of the Company.

**Premises** : The Project Site on which the Main Hotel Casino will be built and operated.

**Lease term and renewal** : Commencing from the date on which the handover of the Project Site is delivered to SunTrust until 19 August 2039, which shall automatically be renewed, subject to applicable laws, for another twenty-five (25) years unless otherwise agreed upon by the Lessor and the Lessee, on the same terms and conditions of the Lease Agreement (or such other terms and conditions as the Lessor and the Lessee may agree in writing).

**Annual Rental** : US\$10,600,000, exclusive of the applicable value added tax, commencing from the latter of the first day of commencement of operation of the casino establishment of the Main Hotel Casino and the fulfilment of the Conditions Precedent (save the Shareholders' approval to the Lease Agreement) (or such other date as may be mutually agreed upon by the Lessor and the Lessee) in two installments payable on a semi-annual basis (or every six (6) months basis).

The Annual Rental was determined by reference to the assessment of an independent valuer on the indicative market value of the Project Site of US\$340,000,000.

**Interest penalty and surcharge** : In the event that the Lessee fails to pay/remit to the Lessor the Annual Rental on the due date of its payment, the Lessee shall be liable to pay the Lessor an interest penalty equivalent to one percent (1%) per month plus surcharge equivalent to one percent (1%) per month of the unpaid amount from the due date for payment until full payment of the rentals in arrears and penalty charges/interest is made.

**Sublease and Transfer of Rights** : The Lessee may assign or transfer its rights under the Lease Agreement, and sub-lease all or any part of the Project Site or enter into any arrangement whereby the use or possession of any part of the Project Site is transferred to any person as may be required for the operation of the Main Hotel Casino, with prior written approval of the Lessor provided that such prior written approval of the Lessor shall not be required and a written notice to the Lessor shall be sufficient in respect of all or any of the foregoing to or with any person (or persons) who is the subsidiary (or are the subsidiaries) of the Lessee.

- Right of first refusal** : If at any time during the term of the Lease Agreement, the Lessor acquired the Project Site or any portion thereof in its name or in the name of its affiliate and decided to sell the same (or receive a bona fide offer to purchase the same), the Lessee (or the nominee of the lessee which is qualified under the laws of Philippines to acquire) shall, subject to the relevant laws at that time and within twenty one (21) days of being notified in writing by the Lessor of such intended sale (or bona fide offer to purchase), have the right of first refusal on such sale on such terms and conditions as may be agreed upon with the Lessor (or in respect of a bona fide offer to purchase, to match that offer) .
- Extension** : The Lessor and the Lessee shall negotiate in good faith for the renewal or extension of the Lease Agreement prior to the expiry of the renewed term of 25 years for a further term of not less than twenty five (25) years (or for a shorter term to be agreed upon by the Lessor and the Lessee) at an annual rent to be adjusted based on the average of the year-on-year inflation rate in Philippines as released or published by the Philippine Statistics Authority (or other competent authority replacing it) for the term of the Lease Agreement and otherwise on the terms and conditions as may be agreed upon by the Lessor and the Lessee.
- Conditions Precedent** : The obligation of the Lessee to effect payment of the Annual Rental is conditional on the following:
- (1) the obtaining by the Lessor of the requisite irrevocable and unconditional (or if conditional, only of such conditions as are reasonable to the Lessee) approval, consent, license, permit, authorisation or consent of the relevant government authorities in the Philippines and such other relevant third parties, if any, permitting, allowing and authorising the Lessor with the full and absolute right, power, capacity and authority to lease the Project Site and enter into the Lease Agreement and, as part of its submission to the government authorities, to allow the Lessee to have the absolute right to conceptualise, design, develop, construct, maintain, operate, invest in and/or finance the Main Hotel Casino in accordance with the project implementation plan and/or other applicable project plans (and any amendments thereof as the Lessee may require) as approved by the relevant government authorities in the Philippines from time to time and otherwise on terms of the Lease Agreement and the O&M Agreement within one year from the date of the Lease Agreement;

- (2) (if required) the due signing of the necessary deeds, agreements and other documents, if any, to vest Westside and where necessary, Travellers, with such full and absolute right, power, capacity and authority to lease and to enter into the Lease Agreement;
- (3) the due signing of the O&M Agreement;
- (4) the obtaining by the Company of the necessary Shareholders' approval to the Lease Agreement and the transactions contemplated thereunder in accordance with the Listing Rules; and
- (5) the Lessor shall, within one year from the date of the Lease Agreement, obtain, and deliver to the Lessee, the written approval of the government authority in the Philippines the revised project implementation plan and other project plans as are necessary for the development and construction of the Main Hotel Casino, provided that the application for the government authority in the Philippines shall mention and specify, among others, the Lessee's participation in the financing of the Main Hotel Casino and its role as a developer, exclusive operator and investor in line with the Lessor's investment commitment under the Gaming License and the Lot Nos.4 and 6 Joint Venture Agreement (as supplemented by the Deed of Accession).

**Termination**

: The Lessee shall be entitled to terminate the Lease Agreement by giving notice of such termination to the Lessor under certain circumstances as set out in the Lease Agreement, the major ones are:

- (1) failure on the part of the Lessor to comply with any of the material provisions of the Lease Agreement;
- (2) if the Lessee is prevented from the continuous peaceful use of the Project Site or any part thereof or deprived of the right to exclusively possess, develop, use, enjoy and control the Project Site during the term of the Lease Agreement through any act attributable to the Lessor;

- (3) the Lessor shall be adjudged bankrupt, insolvent, or in a state of rehabilitation with finality by a court of competent jurisdiction;
- (4) material breach of representation or warranty made by the Lessor under the Lease Agreement;
- (5) the Gaming License is not extended or is pre-terminated for any reason;
- (6) the O&M Agreement is terminated due to the act, omission and/or default of all or any of the Lessor, or there shall be any material breach on the part of all or any of the Lessor of the terms and conditions of the Lease Agreement as to adversely affect the rights and interests of the Lessee under the O&M Agreement and/or the Lease Agreement;
- (7) the Gaming License is revoked or cancelled or suspended for a continuous period of three (3) months or more in any calendar year due to the act, omission and/or default of all or any of the Lessor, or all or any of the Lessor commits any material breach or any act or omission giving rise to a material breach of the terms and conditions of the Gaming License as to adversely affect the rights and interests of the Lessee under the O&M Agreement and/or the Lot Nos.4 and 6 Joint Venture Agreement and/or the Lease Agreement;
- (8) the head lease agreement under which Westside leased one of the parcels of land comprised in the Project Site is terminated due to the act, omission and/or default of all or any of the Lessor, or all or any of the Lessor commits any material breach or any act or omission giving rise to a material breach of the terms and conditions thereof as to adversely affect the rights and interests of the Lessee under such head lease agreement and/or the O&M Agreement and/or Lease Agreement;

- (9) the Lot Nos. 4 and 6 Joint Venture Agreement (as supplemented by the Deed of Accession) is terminated due to the act, omission and/or default of all or any of the Lessor, or all or any of the Lessor commits any material breach or any act or omission giving rise to a material breach of the terms and conditions thereof as to adversely affect the rights and interests of the Lessee under the O&M Agreement and/or the Lease Agreement; or
- (10) the head lease agreement under which Westside leased one of the parcels of land comprised in the Project Site is not renewed upon expiry of its initial first term of 25 years.

## **INFORMATION OF THE LESSOR**

Travellers (a Lessor) is a company incorporated in the Philippines principally engaged in the business of hotels, restaurants, leisure parks, entertainment centers and other related businesses including operating casinos and other gaming activities.

Westside (a Lessor) is a company incorporated in the Philippines principally engaged in the business of hotels and restaurants.

Travellers is a fellow subsidiary of Megaworld for being an indirect non-wholly owned subsidiary (of approximately 68%) of Alliance Global Group, Inc. (being the holding company of Megaworld). Westside is a 95% non-wholly owned subsidiary of Travellers. Megaworld is a connected person of the Company at the subsidiary level for being solely a substantial shareholder of the Company's 51% owned subsidiary, SunTrust, currently holding 34.00% interest in SunTrust. Each of Westside and Travellers (as Lessor) is a connected person of the Company at the subsidiary level for being an associate of Megaworld.

## **INFORMATION OF THE GROUP**

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

## **FINANCIAL EFFECTS OF THE LEASE AGREEMENT**

Pursuant to HKFRS 16 Leases, the Company will initially recognise the Right-of Use Asset (Lease) at cost, comprising the initial amount of any lease liability plus any lease payments made on or before the lease commencement date, and any initial direct costs incurred. The lease liability will be initially recognised at the present value of the lease payments payable over the entire term of the Lease Agreement (including the term upon automatic renewal of the Lease Agreement), discounted using the incremental borrowing rate.

The value of the Right-of-Use Asset (Lease) and the lease liability under the Lease Agreement as may be recognised by the Company in its consolidated financial statements are US\$184,506,000 and US\$184,506,000, respectively. The values of the Right-of-Use Asset (Lease) and the lease liability are based on preliminary assessment and are subject to finalisation of discount rate to be used at the lease commencement date.

No revenue has been generated from the Project Site as at the date of this announcement. Accordingly, the Project Site does not have an identifiable net income stream attributable to the Right-of-Use Asset (Lease) for the two years ended 31 December 2019.

## **REASON FOR, AND BENEFITS OF, THE LEASE AGREEMENT**

The reason for and benefits of the Acquisition, the Shares Subscription, the Megaworld Shares Subscription, the Aurora Shares Subscription and the CB Subscription are disclosed in the 1029 Announcement. The reason for and benefits of the Project Site Payment are disclosed in the 1125 Announcement.

The Main Hotel Casino of which SunTrust will be appointed as the sole and exclusive operator shall be located at and constructed and developed on the Project Site. By the Lease Agreement, SunTrust as lessee of the Project Site is given the right to use the Project Site for the Project.

The Directors consider that the Lease Agreement is on terms fair and reasonable and in the interests of the Company and the Shareholders as a whole.

No Director is interested in the Lease Agreement and none of the Directors was required to abstain from voting on the resolution of the Board approving the Lease Agreement.

## **IMPLICATIONS OF THE LISTING RULES**

### **Chapter 14**

Pursuant to HKFRS 16 Leases, the Company will recognise the **Right-of-Use Asset (Lease)** in its consolidated financial statements as an asset. The Lease Agreement is regarded as an acquisition of assets under Rule 14.04(1)(a) for the purposes of Chapter 14.

The value of the Right-of-Use Asset (Lease) as may be recognised by the Company according to HKFRS 16 Leases has to be aggregated on the Aggregation Basis when determining its own classification under Chapter 14.

As one of the applicable percentage ratios in respect of the Right-of-Use Asset (Lease) on the Aggregation Basis exceeds 25% but is less than 100%, the Lease Agreement constitutes a major transaction for the Company under Chapter 14 and is subject to announcement and Shareholders' approval requirements under Chapter 14.

### **Chapter 14A**

The Lease Agreement is regarded as an acquisition of assets under Rule 14A.24(a) for the purposes of Chapter 14A. Each of Westside and Travellers (as Lessor) is a connected person of the Company at the subsidiary level as described in "Information of the Lessor" in this announcement. The Lease Agreement constitutes a connected transaction for the Company under Chapter 14A.

The value of the Right-of-Use Asset (Lease) as may be recognised by the Company according to HKFRS 16 Leases has to be aggregated on the Aggregation Basis when determining the requirements of the Listing Rules as are applicable to it under Chapter 14A.

As one of the applicable percentage ratios in respect of the Right-of-Use Asset (Lease) on the Aggregation Basis exceeds 25% but is less than 100%, the Lease Agreement should be subject to the reporting, announcement, circular, independent financial adviser and independent Shareholders' approval requirements under Chapter 14A if not for Rule 14A.101 as disclosed below.

#### ***Exemption under Rule 14A.101***

Under Rule 14A.101, the Lease Agreement is subject to reporting and announcement requirements but is exempt from the circular, independent financial adviser and independent Shareholders' approval under Chapter 14A as (a) the Board has approved the Lease Agreement; and (b) all the independent non-executive Directors have confirmed that the terms of the Lease Agreement are fair and reasonable, the Lease Agreement is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

## Written approval by the Controlling Shareholder

The Lease Agreement will therefore be subject to Shareholders' approval under Chapter 14.

To the best of the knowledge of the Directors, no Shareholders, including the Controlling Shareholder, a controlling shareholder of the Company holding 4,991,643,335 Shares (representing 74.87% interest in the Company) which does not have a material interest in the Lease Agreement, are required to abstain from voting at a general meeting of the Company if one were to be convened and held to approve the Lease Agreement.

Application will be made by the Company to the Stock Exchange for a waiver to despatch the circular of the Company on, among others, the Lease Agreement, within 15 business days as that required under Rule 14.41(a) to on or before 27 March 2020 as time is required by the Company to gather and finalise the necessary financial information required to be included in the circular, including, without limitation, the pro forma statement of assets and liabilities of the Group combined with the Right-of-Use Asset (Lease), the statement of indebtedness and the working capital projection for the purpose of the statement on sufficiency of working capital. If the waiver is granted, the Lease Agreement will be approved by way of written approval of the Controlling Shareholder without convening a general meeting of the Company to approve it for the purpose of Shareholders' approval under Chapter 14. Otherwise, the Lease Agreement will have to be approved by way of Shareholders' approval at a general meeting of the Company.

## DEFINITIONS

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

“1st Announcement”	collectively, the announcements of the Company (1) dated 29 October 2019 (“ <b>1029 Announcement</b> ”) on the Acquisition, the Shares Subscription, the Megaworld Shares Subscription and the Aurora Shares Subscription; (2) dated 5 November 2019 (“ <b>1105 Announcement</b> ”) on the Megaworld Shares Subscription; (3) dated 25 November 2019 (“ <b>1125 Announcement</b> ”) on the Project Site Payment; and (4) dated 20 January 2020 on the payment schedule of the Project Site Payment, respectively
“Aggregation”	the aggregation of the Right-of-Use Asset (Lease) with the Project Site Payment, the Acquisition and the Shares Subscription under Rules 14.22 and 14A.84 and “ <b>Aggregation Basis</b> ” has the corresponding meaning

“Annual Rental”	the yearly rental payable by SunTrust as Lessee under the Lease Agreement as described in “The Lease Agreement – Annual Rental” in this announcement
“Conditions Precedent”	the conditions precedent as set out in “The Lease Agreement – Conditions Precedent” in this announcement
“Controlling Shareholder”	Fame Select Limited, a company incorporated in the British Virgin Islands and a controlling shareholder of the Company
“HKFRS”	The Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Lease Agreement”	the lease agreement dated 21 February 2020 made between the Lessor and the Lessee for the leasing by the Lessor to the Lessee of the Project Site on and subject to the terms and conditions contained in it
“Lessor”	Westside and Traveller, the lessor to the Lease Agreement
“Lessee”	SunTrust, the lessee to the Lease Agreement
“Right-of-Use Asset (Lease)”	an asset representing the value of the Group’s right (as lessee) to use the Project Site under the Lease Agreement in its consolidated financial statements pursuant to HKFRS 16 Leases

*Notes:*

- (1) All references to times and dates are references to Hong Kong time unless otherwise stated.
- (2) In this announcement, unless otherwise stated, all references to Rules and Chapters are references to Rules and Chapters of the Listing Rules.
- (3) When translated, each HK\$ amount stated in this announcement was translated at the exchange rate of HK\$1.0 to PHP6.6142 and US\$1.0 to HK\$7.8127.

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

Hong Kong, 24 February 2020

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