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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

2019 CCT AGREEMENTS

On 5 November 2019, the Company entered into the 2019 CCT Agreements.

LISTING RULES IMPLICATIONS

The transactions contemplated under the 2019 CCT Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(1) The 2019 Hotel Accommodation Procurement Agreement

As all applicable percentage ratios (other than the profit ratio) in respect of the 2019 Hotel Accommodation Procurement Agreement are over 5% on an annual basis, the 2019 Hotel Accommodation Procurement Agreement is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) The 2019 Travel Products Supply Agreement

As all applicable percentage ratios (other than profits ratio) in respect of the 2019 Travel Products Supply Agreement are more than 0.1% but less than 5% on an annual basis, the transactions contemplated under the 2019 Travel Products Supply Agreement is subject to the reporting and announcement requirements set out in Rule 14A.34 of the Listing Rules and exempt from the independent shareholders' approval requirement of Chapter 14A of the Listing Rules.

A circular containing (i) further details of the transactions contemplated under the 2019 Hotel Accommodation Procurement Agreement; (ii) the recommendation of the Independent Board Committee; (iii) the advice of the Independent Financial Adviser; and (iv) a notice convening the EGM will be despatched to the Shareholders on or about 26 November 2019.

Reference is made to the announcements of the Company dated 6 February 2017 and 15 May 2017 in relation to the 2017 CCT Agreements. As the 2017 CCT Agreements will expire on 31 December 2019, the Company entered into the 2019 CCT Agreements.

THE 2019 HOTEL ACCOMMODATION PROCUREMENT AGREEMENT

On 5 November 2019, Sun Travel and Sun City Gaming Promotion entered into the 2019 Hotel Accommodation Procurement Agreement. The principal terms of the 2019 Hotel Accommodation Procurement Agreement are set out below.

Term

The 2019 Hotel Accommodation Procurement Agreement has a term of three years commencing on 1 January 2020 and ending on 31 December 2022 (both dates inclusive).

Subject matter

Sun City Gaming Promotion has agreed to supply Hotel Accommodation Products to Sun Travel.

Pricing policy

The price of the Hotel Accommodation Products shall not be higher than:

- (1) the acquisition cost incurred by Sun City Gaming Promotion for the Hotel Accommodation Products; and
- (2) the price of the Hotel Accommodation Products offered by Sun City Gaming Promotion to independent third parties (if any).

Condition

The 2019 Hotel Accommodation Procurement Agreement is conditional upon passing of the relevant resolution(s) at the EGM approving the 2019 Hotel Accommodation Procurement Agreement and the transactions contemplated under.

Annual caps

The proposed annual caps are set out below:

	Year ending 31 December 2020 HK\$	Year ending 31 December 2021 HK\$	Year ending 31 December 2022 HK\$
Annual cap	620,000,000	650,000,000	680,000,000

Basis of the annual caps

The proposed annual caps were determined with reference to:

- (i) the historical transaction amounts under the 2017 Hotel Accommodation Procurement Agreement;
- (ii) the expected increase of approximately 12.5% in the number of five-star hotel rooms in Macau in 2020; and

- (iii) an annual organic growth in 2021 and 2022 of approximately 5% in the demand on the number of five-star hotel rooms in Macau as estimated by the management of the Company on a conservative basis having taken into account the compounded annual growth rate of approximately 6.4% from 2015 to 2018 with reference to the statistics on the number of guests who book five-star hotels through travel agencies published by the Statistics and Census Service of the Macau Government.

Historical transaction amount

The historical transaction amounts under the 2017 Hotel Accommodation Procurement Agreement are set out below.

	From 1 April 2017 to 31 December 2017 HK\$	Year ended 31 December 2018 HK\$	From 1 January 2019 to 30 September 2019 HK\$
Annual cap	420,000,000	570,000,000	590,000,000 (Note)
Actual transaction amount	376,608,596	562,024,934	416,541,685

Note: For the entire year ended 31 December 2019.

THE 2019 TRAVEL PRODUCTS SUPPLY AGREEMENT

On 5 November 2019, Sun Travel and Sun City Gaming Promotion entered into the 2019 Travel Products Supply Agreement. The principal terms of the 2019 Travel Products Supply Agreement are set out below.

Term

The 2019 Travel Products Supply Agreement has a term of three years commencing on 1 January 2020 and ending on 31 December 2022 (both dates inclusive).

Subject matter

Sun Travel agrees to sell Travel Products to Sun City Gaming Promotion.

Pricing policy

The price of the Travel Products shall be determined with reference to the prevailing market price of the same or similar products in the market on an order-by-order basis, which shall not be less than the price offered by Sun Travel to its independent third parties and shall not be lower than the acquisition cost of Sun Travel.

The prevailing market price of Travel Products will be determined with the official listing price of the relevant Travel Products. For example, with respect to ferry tickets, the prevailing market price will be the price set by Shun Tak-China Travel Ship Management Limited and its subsidiaries (“**Shun Tak Shipping**”) to the general public. In the event that there is no official listing price, the prevailing market price shall be determined with reference to similar products available on the market.

Annual caps

The annual caps are set out below:

	Year ending 31 December 2020 HK\$	Year ending 31 December 2021 HK\$	Year ending 31 December 2022 HK\$
Annual cap	19,500,000	20,000,000	21,000,000

Basis of the annual caps

The annual caps were determined with reference to:

- (i) the expected majority in sale value of the Travel Products demand from Sun City Gaming Promotion will comprise of ferry tickets;
- (ii) the number of existing employees of Sun City Gaming Promotion who are entitled to the ferry tickets;
- (iii) the monthly entitlements of ferry tickets to be offered by Sun City Gaming Promotion to its employees;
- (iv) the existing rates of the ferry tickets offered by Shun Tak Shipping to the public as published on its website;

- (v) a buffer of approximately 6% for any upward adjustment per year taking into account the potential increment in the number of employees of Sun City Gaming Promotion and the growth in the rates of ferry tickets;
- (vi) the estimated demand of Travel Products other than ferry tickets from Sun City Gaming Promotion; and
- (vii) the prevailing market price of Travel Products other than ferry tickets available in the market.

Historical transaction amount

The historical transaction amounts for the sale of ferry tickets and related services under the 2017 Travel Products Supply Agreement are as follows:

	From 6 February 2017 to 31 December 2017 HK\$	Year ended 31 December 2018 HK\$	From 1 January 2019 to 30 September 2019 HK\$
Annual cap	8,500,000	10,000,000	10,000,000 <i>(Note)</i>
Actual transaction amount	6,864,376	9,700,407	7,343,358

Note: For the entire year ended 31 December 2019.

INTERNAL CONTROL

(1) The 2019 Hotel Accommodation Procurement Agreement

The Company has established various internal control measures to monitor the transactions contemplated under the 2019 Hotel Accommodation Procurement Agreement, including:

- (i) Sun Travel shall obtain quotations from at least two other independent suppliers before procurement of the Hotel Accommodation Products. Sun Travel shall select the supplier of the required Hotel Accommodation Products based on certain selection criteria (including but not limited with the availability, price and credit terms). Staff of the customer service department will obtain the quotations and submit to the general manager of Sun Travel for review and approval on the procurement of Hotel Accommodation Products;

- (ii) Sun Travel shall nominate a staff member (the “**CT Officer**”) who is familiar with the finance and business operations to be responsible for reporting to the Company Secretary on the transaction amounts and terms of the continuing connected transactions carried out by Sun Travel on a monthly basis;
- (iii) the Company Secretary shall monitor the aggregate amount of the transactions contemplated under the 2019 Hotel Accommodation Procurement Agreement and assess on a monthly basis whether the annual cap thereunder is exceeded or Hotel Accommodation Procurement Agreement has to be renewed to effect a material change to its terms;
- (iv) in-house training shall be arranged by the Company Secretary to the CT Officer to ensure that the CT Officer understands the connected transaction requirements under the Listing Rules; and
- (v) the independent non-executive Directors will conduct annual reviews with respect to the transactions contemplated under the 2019 Hotel Accommodation Procurement Agreement and confirm in the annual report, pursuant to the requirements under the Listing Rules, whether such continuing connected transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and in accordance with the respective agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

(2) The 2019 Travel Products Supply Agreement

The Company has established various internal control measures to monitor the transactions contemplated under the 2019 Travel Products Supply Agreement, including:

- (i) Prior to supplying the Travel Products, Sun Travel shall obtain the prevailing market price of the relevant Travel Products. For Travel Products with an official price list (including for example ferry tickets and certain entertainment tickets/vouchers), the prevailing price with the price set by the official provider. To illustrate, the prevailing market price of ferry tickets will be the price of ferry tickets offered by Shun Tak Shipping to the general public. For Travel Products without an official price list (for example certain travel packages), the sales team of Sun Travel will refer to price of similar products on the market offered by at least two independent suppliers. In addition, Sun Travel will also check the recent sales of the Travel Products by Sun Travel to independent third parties to ensure that the price offered to Sun City Gaming Promotion shall not be lower than that offered to independent third parties; and
- (ii) the same internal control measures under paragraphs (ii) to (v) adopted for the 2019 Hotel Accommodation Procurement Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2019 CCT AGREEMENTS

(1) The 2019 Hotel Accommodation Procurement Agreement

Sun Travel assists its end customers in procuring Hotel Accommodation Products as part of the Group's ordinary and usual course of business. It will source the Hotel Accommodation Products directly from hotels or indirectly through other travel agencies from time to time. Sun City Gaming Promotion, as a gaming promoter in Macau, is entitled to purchase Hotel Accommodation Products directly from hotels in Macau at discounted prices. In view of the discounted rates offered by the hotels to Sun City Gaming Promotion, the costs of the Hotel Accommodation Products offered by Sun City Gaming Promotion would be in general lower than those offered to Sun Travel directly from the hotels or indirectly from other travel agencies.

Given that the price for the procurement of Hotel Accommodation Products in Macau was agreed to be not higher than Sun City Gaming Promotion's acquisition cost, the Board (excluding the independent non-executive Directors, whose view will be provided after considering the advice from the Independent Financial Adviser, and Mr. Chau who has abstained from voting in the relevant resolutions of the board meeting of the Company approving the 2019 Hotel Accommodation Procurement Agreement) considers that the terms under the 2019 Hotel Accommodation Procurement Agreement including the annual caps, were negotiated and entered into on an arm's length basis, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(2) The 2019 Travel Products Supply Agreement

The sale of Travel Products forms part of the ordinary and usual course of business of Sun Travel. Sun City Gaming Promotion offers its employees the ferry tickets for ferry service between Hong Kong and Macau as part of its staff benefits. In addition, Sun City Gaming Promotion has been offering certain travel related products such as entertainment ticket/voucher to its customers as promotion rewards. The sale of Travel Products by Sun Travel will provide a stable revenue stream to the Group.

The Board (including the independent non-executive Directors and excluding Mr. Chau who has abstained from voting in the relevant resolutions of the board meeting of the Company approving the 2019 Travel Products Supply Agreement) considers that the transactions contemplated under the 2019 Travel Products Supply Agreement including the annual caps, were negotiated and entered into on an arm's length basis, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Sun Travel is a wholly-owned subsidiary of the Company. It is principally engaged in provision of travel related products and services.

Sun City Gaming Promotion is a company incorporated in Macau with limited liability and its principal activity is the operation of gaming promotion business in Macau. Sun City Gaming Promotion is wholly owned by Mr. Chau, who is an executive Director and hence a connected person of the Company. The transactions contemplated under the 2019 CCT Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(1) The 2019 Hotel Accommodation Procurement Agreement

As all applicable percentage ratios (other than the profit ratio) in respect of the 2019 Hotel Accommodation Procurement Agreement are over 5% on an annual basis, the 2019 Hotel Accommodation Procurement Agreement is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) The 2019 Travel Products Supply Agreement

As all applicable percentage ratios (other than profits ratio) in respect of the 2019 Travel Products Supply Agreement are more than 0.1% but less than 5% on an annual basis, the transactions contemplated under the 2019 Travel Products Supply Agreement is subject to the reporting and announcement requirements set out in Rule 14A.34 of the Listing Rules and exempt from the independent shareholders' approval requirement of Chapter 14A of the Listing Rules.

EGM

The Independent Board Committee has been formed to consider whether the terms of the 2019 Hotel Accommodation Procurement Agreement and the transactions contemplated thereunder, and the annual caps are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to voting at the EGM.

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

A circular containing (i) further details of the transactions contemplated under the 2019 Hotel Accommodation Procurement Agreement; (ii) the recommendation of the Independent Board Committee; (iii) the advice of the Independent Financial Adviser; and (iv) a notice convening the EGM will be despatched to the Shareholders on or about 26 November 2019.

DEFINITIONS

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

“2017 CCT Agreements”	the 2017 Travel Products Supply Agreement and the 2017 Hotel Accommodation Procurement Agreement
“2017 Hotel Accommodation Procurement Agreement”	the agreement dated 6 February 2017 entered into between Sun Travel and Sun City Gaming Promotion in relation to the supply of Hotel Accommodation Products by Sun City Gaming Promotion to Sun Travel, as amended by the supplemental agreement dated 15 May 2017
“2017 Travel Products Supply Agreement”	the agreement dated 6 February 2017 entered into between Sun Travel and Sun City Gaming Promotion in relation to the supply of ferry tickets and related services by Sun Travel to Sun City Gaming Promotion
“2019 CCT Agreements”	the 2019 Hotel Accommodation Procurement Agreement and the 2019 Travel Products Supply Agreement
“2019 Hotel Accommodation Procurement Agreement”	the agreement dated 5 November 2019 entered into between Sun Travel and Sun City Gaming Promotion in relation to the supply of Hotel Accommodation Products by Sun City Gaming Promotion to Sun Travel
“2019 Travel Products Supply Agreement”	the agreement dated 5 November 2019 entered into between Sun Travel and Sun City Gaming Promotion in relation to the supply of Travel Products by Sun Travel to Sun City Gaming Promotion
“Board”	the board of the Company
“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)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be convened and to consider and, if thought fit, approve, the 2019 Hotel Accommodation Procurement Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hotel Accommodation Products”	hotel accommodation and related services
“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors, namely Mr. Tou Kin Chuen, Dr. Wu Kam Fun Roderick and Mr. Lo Wai Tung John
“Independent Financial Adviser”	Astrum Capital Management Limited, a corporation licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activity under the SFO
“Independent Shareholder(s)”	Shareholder(s) other than Mr. Chau and his associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macao Special Administrative Region of the People’s Republic of China
“Mr. Chau”	Mr. Chau Cheok Wa, the Chairman of the Board and an executive Director
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sun City Gaming Promotion”	Sun City Gaming Promotion Company Limited, a company incorporated in Macau with limited liability, which is wholly owned by Mr. Chau
“Sun Travel”	Sun Travel Ltd., a company incorporated in Macau with limited liability and an indirect wholly-owned subsidiary of the Company
“Travel Products”	travel related products and services including ferry tickets between Hong Kong and Macau, entertainment tickets, vouchers, travel packages and other transportation tickets
“%”	per cent.

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

Hong Kong, 5 November 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.